OXFORDSHIRE
COUNTY COUNCIL

To: Members of the Audit & Governance Committee

Notice of a Meeting of the Audit & Governance Committee

Wednesday, 24 February 2016 at 2.00 pm

County Hall, Oxford, OX1 1ND

PG Clark

Peter G. Clark
Head of Paid Service   February 2016

Contact Officers: Deborah Miller, Tel: (01865) 815384; E-Mail:
deborah.miller@oxfordshire.gov.uk

Membership

Chairman – Councillor David Wilmshurst
Deputy Chairman - Councillor Sandy Lovatt

Councillors

David Bartholomew	Jenny Hannaby	John Tanner
Yvonne Constance OBE	Nick Hards	
Tim Hallchurch MBE	Roz Smith	

Co-optee

Dr Geoff Jones

Notes:

• *Date of next meeting: 20 April 2016*

Declarations of Interest

The duty to declare…..
Under the Localism Act 2011 it is a criminal offence to
(a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
(b) provide false or misleading information on registration, or
(c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?
The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**
- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

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

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

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

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

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

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

List of Disclosable Pecuniary Interests:
Employment (includes*"any employment, office, trade, profession or vocation carried on for profit or gain"*.)*,* **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

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

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

AGENDA

1.   **Apologies for Absence and Temporary Appointments**

2.   **Declaration of Interests - see guidance note**

3.   **Minutes** (Pages 1 - 8)

   To approve the minutes of the meeting held on 13 January 2016 (**AG3**) and to receive information arising from them.

4.   **Petitions and Public Address**

5.   **Implications of the Account and Audit Regulations 2015** (Pages 9 - 12)

   2.10

   The 2015 Accounts and Audit Regulations set out requirements in relation to internal control, the exercise of public rights in relation to the accounts and rules for the preparation, approval and publication of the statement of accounts. The 2015 Regulations came into force on 1 April 2015 for financial years starting on or after that date. The report highlights changes compared to the previous 2011 Regulations and the implications for the Council.

   The Committee is RECOMMENDED to:
   (a)   note the report;
   (b)   agree that the draft statement of accounts will no longer be presented to the Committee for information;
   (c)   note that the draft Annual Governance Statement will be considered by the Audit Working Group before publication;
   (d)   agree that the Annual Governance Statement should only be presented once to the Committee, in its final draft for approval in September.
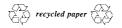
6.   **Annual Governance Statement 2014/15 - Action Plan Progress (Quarter 3)** (Pages 13 - 18)

   2.30

   Report by the Chief Legal Officer and Monitoring Officer (**AG6**)

   Audit & Governance Committee approved the Annual Governance Statement (AGS) for 2014/15 in July 2015. This included six actions to be followed up by the relevant corporate lead and/or directorates in 2015/16. This report is the progress report on these actions as at the end of December 2015.

   The Audit & Governance Committee is RECOMMENDED to note the progress on the actions.

recycled paper

7.   Audit Committee Annual Report to Council 2015 (Pages 19 - 32)

2.50

Report by the Chairman of the Audit & Governance Committee to be presented to The Council (**AG7**).

The Annual Report sets out the role of the Audit & Governance Committee and summarises the work that has been undertaken both as a Committee and through the support of the Audit Working Group in 2014.

The Committee is RECOMMENDED to consider the Annual Report and suggest any additions or amendments.

8.   SCS LEAN and IT System Update

3.10

Kate Terroni, Deputy Director Joint Commissioning will attend to give a brief presentation to the Committee.

The presentation will update the Committee on the Adult Social Care IT Project which went live in November 2015.

The Committee is RECOMMENDED to receive the presentation.

9.   Update on Hampshire Partnership (Pages 33 - 64)

3.30

Lorna Baxter, Chief Finance Officer to attend to present the report that focusses on the status of the service at six months stabilisation, including issues which are still outstanding and actions taken for resolution.

*The Committee is **RECOMMENDED** to agree that a further update be provided in 3 months' time.*

10.   Ernst & Young Audit Plans and Sector Briefing (Pages 65 - 92)

3.50

A representative from the external auditors, Ernst & Young, will attend to present the following reports:

- Audit Planning Board Report;
- Local Government Sector Briefing.

The Committee is RECOMMENDED to note the report.

11. **Report from the Audit Working Group** (Pages 93 - 94)

4.10

Report by the Chief Internal Auditor (**AG11**).

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

The Committee is RECOMMENDED to note the report.

12. **Request from Performance Scrutiny Committee**

4.30

At their meeting on 4 February the Performance Scrutiny Committee considered the the decision of the Cabinet Member for Environment (Councillor Hudspeth substituting) made on 14 January 2016 following proper notice of a call in: Proposed Bus Lane & Parking/Waiting Restrictions - Orchard Centre (Phase 2), Didcot

The Committee agreed to refer the decision back to Cabinet on the grounds of material concerns in that the officers dealing with the matter had not been made aware of the fact that a 1500+ signature petition had been presented to Council opposing the proposal.

During discussion Members heard that the petition had been taken into account in consideration of the County Council's response to the planning application determined by South Oxfordshire District Council. In response to questions, officers confirmed that it had not been specifically referred to in that response.

Members in noting that the petition had been submitted to full Council raised concerns that local members had not been advised of the petition and kept informed of the response. The Committee considered that something extra was needed with regard to the protocol on Member engagement and requested that Audit &Governance Committee be requested to consider this matter.

The Committee is RECOMMENDED to agree that the Monitoring Officer review the protocol on Member Engagement with a specific regard to petitions and to report back to this Committee.

13. **Audit & Governance Committee Work Programme** (Pages 95 - 96)

4.40

To review the Committee's Work Programme (**AG13**).

CLOSE OF MEETING   4.45

Pre-Meeting Briefing - There will be a pre-meeting briefing at County Hall on **Thursday 18 February 2016** at **2.00 pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 13 January 2016 commencing at 2.00 pm and finishing at 4.10 pm.

Present:

Voting Members: Councillor David Wilmshurst – in the Chair

Councillor Sandy Lovatt (Deputy Chairman)
Councillor David Bartholomew
Councillor Yvonne Constance OBE
Councillor Jenny Hannaby
Councillor Nick Hards
Councillor Roz Smith
Councillor Charles Mathew (in place of Councillor Tim Hallchurch)

Non-voting Members: Dr Geoff Jones

By Invitation: Paul King and Alan Witty (Ernst &Young)

Officers:

Whole of meeting   Ian Dyson, Chief Internal Auditor, Nick Graham, Monitoring Officer, Lorna Baxter, Chief Finance Officer and Deborah Miller, Principal Committee Officer.

Part of meeting

Agenda Item	Officer Attending
6	Sarah Cox, Audit Manager
7&8	Glenn Watson, Principal Governance Officer

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

1/16   APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

The Committee received the following apologies for absence and temporary appointments:

Apology	Temporary Appointment
Councillor Tim Hallchurch	Councillor Charles Mathew
Councillor John Tanner	

2/16   MINUTES
(Agenda No. 3)

The Minutes of the Meeting held on 18 November 2016 were approved and signed, subject to changing 'Heathcote' to 'Heathcoat' in the last paragraph of Minute 71/15.

Matters Arising

Minute 72/15 – Update of Hampshire Partnership

Councillor Bartholomew asked if an update on duplicate payments and Aged Debtors could be prepared for the next meeting.

3/16   TREASURY MANAGEMENT STRATEGY
(Agenda No. 5)

The Committee had before them a report (AG5) which presented the annual Treasury Management Strategy Statement and Annual Investment Strategy for 2016/17 in compliance with the CIPFA Code of Practice. The report set out the borrowing and investment strategies for 2016/17 and relevant background information.

Lorna Baxter, Chief Finance Officer, in introducing the report, confirmed that much of content of the existing strategy had not changed and that therefore her focus today would be on the areas that had changed.

She referred to paragraphs 34 and 35 (p19) which set out updated base rate and in-house return forecasts. The forecast average in-house rate of return for 2016-17 was 0.85%, increasing over the medium-term to 1.65% in 2019/20.

She went on to explain that the reducing in-house premium over base rate in future years reflected reducing cash balances. This would result in a reduction to the proportion of cash available for long term investment at higher rates, subsequently reducing the overall premium achievable.

In terms of the borrowing strategy, Mrs Baxter explained that it retained the option to fund new or replacement borrowing through internal borrowing. It was proposed that the percentage of the debt portfolio which could be funded through internal borrowing be reduced from 25% to 15%. This was due to the estimated reduction in cash balances over the medium term. (less cash available for internal borrowing).

On the investment strategy (p24 / para 69), no new instruments for 2016/17 were proposed.

Moving on to the Prudential Indicators in Annex 1 (p31). The first 6 of these weren't included at the time of the report, as they were dependent on updates to the 2016

capital programme. Full indicators would be included when the report was considered by Council in February.

Section 11 (page 32) set out a proposal to change how fixed and variable rate exposure indicators were calculated from 2016/17 onwards. The proposal was to move from the existing percentage limits, based on exposure as a proportion of net debt, to an upper cash limit. The proposed change was intended to provide more clarity in the way the indicator is presented, in addition to preventing the distortions experienced when using the previous percentage limit.

Section 12 of the report set out a proposal to reduce the upper limit on principle sums invested for longer than 364 days in 2016/17, reducing further in subsequent years. This reflected the forecast reduction in cash balances over the period, which would reduce the availability of cash for long term investment.

Members of the Committee then went on to ask a number of detailed questions in relation to the strategy, and in particular the following:

Do you think that reverse purchase agreements are a good thing?

Reverse repurchase agreements are potentially a good option. Arlingclose are securing legal opinions with banks and the clearing house Clearstream. This needs to be resolved before they become a viable option.

Deposits with National Banks with government guarantees – do we regard them as a safe place to deposit money?

The government guarantees are no longer in place and the banks would therefore be subject to the same criteria as all other banks.

Arlingclose forcasting potential increase – is that calendar or fiscal?

Calendar.

Why the prudential indicator xii, the upper limit to principal sums invested longer than 364 days is an absolute cash value, as opposed to a percentage?

A cash figure is more straight forward for the Treasury Management team to monitor when making decisions on investments in excess of 364 days. The team can directly compare the total of investments over 364 days with the cash limit, as opposed to having to calculate the investments as a percentage of a total cash portfolio, which can change significantly on a daily basis. Subsequently it reduces the risk of a breach through error, particularly in a situation when investment decisions are time-pressured.

When an investment over 364 days is placed, the exact total cash portfolio at future dates within the duration of the investment are not known. The total cash portfolio is forecast, but this is subject to change on a daily basis. By setting an indicator which measures investments over 364 days as a percentage of the total cash portfolio, the Treasury Management team would need to take in to account the forecast total cash

portfolio on all future dates (within the investment duration) to ascertain if a breach is likely to occur. This forecast cash portfolio is subject to continual change, particularly in periods in excess of 1 year. Therefore cash flow forecasts are not certain enough to eliminate breaches of a percentage limit on future dates.

In relation to the Prudential Indicator ix, upper limit of net debt. What does the 70% figure refer to?

This percentage is calculated as:

Net Debt
Gross Debt

Net Debt = Gross Debt - Investments

RESOLVED: to note the report.

4/16   INTERNAL AUDIT PLAN UPDATE AND PROGRESS REPORT
(Agenda No. 6)

The Committee had before them a report which presented the Internal Audit progress report for 2015/16, including resources, completed and planned audits and the updated plans for all the assurance based activity covering Internal Audit, Counter-Fraud, Compliance Audits, and Assurance Mapping.

Mr Dyson, in introducing the report explained that they had successfully recruited to three new posts within the Internal Audit and Business Assurance structure. A Compliance Officer was appointed in November and was able to immediately take up the position. Two Trainee Auditors had also been appointed, who were due to start in the middle of January 2016. They would be working across both the Internal Audit and Compliance functions.

The vacancies resulting from the restructuring had generated an underspend within the Internal Audit budget that was to be used in Q4 for buying in external resource to support the delivery of the audit plan; however in light of the Council's current financial position it had been reviewed whether this spend was essential. Mr Dyson explained that he believed that the current revised work plans being presented with this report would provide him with sufficient "evidence" that he can provide the Committee assurance with an informed opinion on the system of internal control.

The impact had inevitably resulted in reducing the number of audits in the plan for 15/16, but he was prioritising the material financial systems and processes; however it was anticipated that the complexity and degree of testing would result in the planned activity continuing into Q1 of 2016/17. Given the scope of change within the financial systems following the transition to Hampshire IBC, the audit methodology was being reviewed and would be dependent on the outcome of the ongoing assessment of the design of controls including management oversight. It was expected that work would have been concluded by now, but there had been some slippage.

The resources for compliance activity to properly commence in Q4 had been confirmed following the recent appointments. A plan had been developed, for this year based on the available days, however the priority for the areas subject to compliance reviews had been developed in consultation with the Finance Leadership Team. The plan is attached as Appendix 4.

With reference to Counter-Fraud, Mr Dyson informed the Committee that the agreement with Oxford City to provide counter-fraud support had been signed and was now operational with the team providing support for both reactive fraud work and also the pro-active fraud work. The Counter Fraud Plan was attached as Appendix 3 to this report.

For the remainder of 15/16 the strategy was to develop the individual functions within the Business Assurance Team and the Internal Audit Team. From 2016/17 there would be an integrated approach to the planning of each activity linked to the key risks. The intention was that future updates and progress reports to the Committee would extend across the assurance functions under the direction of the Chief Internal Auditor, and therefore would include summaries from counter-fraud and compliance reviews in addition to the usual internal audit updates.
He went on to confirm that there had been 6 audits concluded since the last update (provided to the September); summaries of findings and current status of management actions were detailed in Appendix 2 to the report.

With reference to the Blue Badge Proactive Exercise, members welcomed the pro-active anti-fraud exercise against blue badge misuse, but questioned how this would now be taken forward as 5% of badges were checked and only 10 badges were retained and why officers were only considering action against them and finally what the financial implications would be of the scheme?

Mr Dyson reported that officers were only considering action as it had been found that in most cases the offence had mainly been forgetting to update badges on time. The cost of running the project also needed to be taken into account.

In response to members' queries over the number of actions not yet implemented in the report, Mr Dyson explained that management had put in the dates of when they were going to complete actions. What the report was reflecting, was that whilst there had been 29 actions identified, 26 were not yet due.

Members further expressed concern over the general level of coverage. In Environment & Economy only 1 Audit had been carried out and the rest had been abandoned and removed. They questioned whether the Chief Internal Auditor considered there to be enough coverage?

Mr Dyson explained that whilst he would like to provide more coverage, it had been necessary to concentrate on financial systems, contracts and supported transport.

Members of the Committee pointed to the high volumes of problems around the externalisation. Mr Dyson confirmed that they were looking at the impact of the Council processes right up until the go-live date, together with the business readiness element.

RESOLVED: to note the report.

5/16 REPORT FROM THE COUNCILLOR PROFILE WORKING GROUP
(Agenda No. 7)

In December 2014, the Council had received a report from the Independent Remuneration Panel on councillors' allowances. During the debate on that item, Council had endorsed the Panel's view that overcoming obstacles to wider democratic representation required solutions other than simply revised allowances.

Council therefore had asked this Committee to develop potential actions that this Council could take that might encourage a wider demographic representation from the May 2017 elections onwards. The Committee established a cross-party Councillor Profile Working Group comprising Councillors Hards, Bartholomew and Constance to consider overcoming the obstacles and the potential options which may encourage greater diversity of representation.

The Committee had before them a report (AG7) which set out the Group's findings and recommendations, with the aim of achieving a greater diversity of representation.

Members of the Committee welcomed the group's findings and in particular their findings in relation to Monday morning meetings and the start time of meetings. Councillor Bartholomew explained that the group had felt that these adjustments meant that the role of Councillor would now be more achievable to people in business, employment, those with caring responsibilities or with young families.

Members of the working group paid tribute to Andrea Newman who had supported them throughout the process.

Some members of the Committee felt that the report had not addressed all the issues and needed a more technical look at the issue.

RESOLVED: (on a motion by Councillor Hards, seconded by Councillor Bartholomew and carried by 5 votes to 1, with 2 abstentions) to approve the recommendations set out in paragraph 17 of the report.

6/16 CONSTITUTION REVIEW
(Agenda No. 8)

On 8 December 2015, Full Council had considered a report from the Monitoring Officer on changes already made, or proposed to be made, to the Constitution. In recent years, such a report has been made to Council on an annual basis.

In the event, Council had deferred consideration of the potential further changes to enable this Committee to give a view in principle on them. The changes that were necessary following previous decisions had of course already been made at the request of Council under the Monitoring Officer's delegated powers.

The Committee has before them a report which asked members to note the changes that the Monitoring Officer had already made to the Constitution to implement

previous decisions taken by this Council and to review the governance benefits of the proposed changes to two sections of the Constitution so that the Monitoring Officer could determine if and how to take this forward with Full Council.

The Committee welcomed the proposed wording set out in paragraph 15 of the report in relation to the treatment of Motions.

The Committee held a discussion around the Protocol on Member-Officer Relations and in particular around the use of Social Media. Members felt that the example used of "for instance, it is not generally appropriate for officers and councillors to request or accept each other as 'friends' on social media such as Facebook". Members felt that this example was not appropriate and that what was in the Constitution currently was sufficient.

RESOLVED: to

(a) note that changes have been made to the Constitution to give effect to the Council's previous decisions on:
   (i) senior management structures (Council Minute Reference 56/15; and
   (ii) senior officer dismissal procedures (Council Minute Reference 43/15);
(b) comment to Council on the proposed changes outlined in paragraphs 12 and 15 of this report.

7/16   REPORT FROM THE AUDIT WORKING GROUP
(Agenda No. 9)

The Committee had before them the report of the Audit Working Group. Ian Dyson, Chief Internal Auditor reported that there had been one meeting of the Audit Working Group since the last Committee meeting. The Group had looked at the Environment & Economy Annual Risk Management Review and the Risk Management Update and that there had been no material issues arising from either item.

RESOLVED: to note the report.

8/16   AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME
(Agenda No. 10)

The Committee had before them a copy of the Annual Work Programme for the Committee (AG10).

RESOLVED: to agree the Work Programme, subject to the following additions:

February
Ernst & Young Audit Plans and Sector Briefing
Annual Governance Statement 2014/15 – Action Plan Progress (Quarter 3)

April
Ernst & Young External Audit Grant Claims Report
Annual Governance Statement 2014/15 – Action Plan Progress (Quarter 4)

9 November 2016
Annual Governance Statement 2015/16 – Action Plan Progress (Quarter 2)

.... in the Chair

Date of signing   2016

Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 24 FEBRUARY 2016
IMPLICATIONS OF THE ACCOUNTS AND AUDIT REGULATIONS 2015
Report by the Chief Finance Officer

Introduction

1. The Accounts and Audit Regulations set out requirements in relation to internal control, the exercise of public rights in relation to the accounts and rules for the preparation, approval and publication of the statement of accounts. The 2015 Regulations came into force on 1 April 2015 for financial years starting on or after that date (with some transitory provisions) and revoke and replace the 2011 Regulations.

2. The 2015 Regulations distinguish between Category 1 and Category 2 authorities for the purpose of setting out different procedures. Category 1 authorities are those with income or expenditure over £6.5m per annum and this is therefore the category which applies to the County Council. The following paragraphs only focus on the requirements for Category 1 authorities.

Internal control

3. The 2015 Regulations make clearer the requirement to maintain a sound system of internal control, broader that just in relation to financial control, with increased emphasis on risk management and corporate governance. It also clarifies that the scope of internal audit covers these areas, in line with proper practice.

4. As previously highlighted to the Committee, the 2015 Regulations explicitly names proper practice for internal audit as the Public Sector Internal Auditing Standards and removes the requirement for an annual review of the effectiveness of the authority's internal audit function.

Published accounts and audit

5. The 2015 Regulations impose a new requirement to prepare a narrative statement to be published alongside the statement of accounts and annual governance statement each year, to include comment on the authority's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

6. The deadlines for preparing the statement of accounts and its publication are brought forward by the 2015 Regulations. The table below shows the previous and revised deadlines:

Stage	2011 Regulations	2015 Regulations
Chief Finance Officer to sign and date the draft statement of accounts	30 June	31 May
Publication of the statement of accounts	30 September	31 July

7. The revised deadlines take effect for the 2017/18 accounts, with transitory provisions allowing for the completion of the 2015/16 and 2016/17 accounts within existing deadlines. The revised deadline for preparing the accounts will be challenging, even with the additional planning time allowed. The aim is to complete the draft 2015/16 accounts by mid-June and the 2016/17 draft accounts by the end of May ahead of this becoming a mandatory requirement the following year. External audit will also have the challenge of managing a two month reduction in the audit timetable.

8. Following the signing of the draft accounts, the Chief Finance Officer must commence the period for the exercise of public rights (see below) and notify the local auditor of the date on which that period was commenced.

9. Where an audit of the accounts has not been concluded before the deadline for publication, the authority must publish a notice as soon as reasonably practicable on are after that date stating the reasons why, and publish the statement of accounts as soon as a report on the auditor's findings has been received. This differs from the 2011 Regulations, which required the publication of the statement of accounts by the deadline date even if the audit had not been concluded.

10. The 2015 Regulations require the published statement of accounts, annual governance statement and narrative statement to be available to members of the public for at least five years. It has been the Council's policy for several years to publish the latest and five previous year's accounts (which include the annual governance statement) on the Council's website, so this requirement is already being met.

Inspection and notice procedure

11. The 2015 Regulations introduce new arrangements for the exercise of public rights in relation to the accounts. The period of inspection has been extended from 20 working days to 30 working days and this must include a specific10 day period common to all authorities. Any rights of objection, inspection and questioning of the local auditor may only be exercised within the 30 day period.

12. The transitory provisions mean the common 10 day period is as follows:

Year of account	Common 10 day period
2015/16 and 2016/17	First 10 working days of July
2017/18 onwards	First 10 working days of June

13. Once the Chief Finance Officer has signed the draft statement of accounts they must be published along with:
   a. A declaration signed by the Chief Finance Officer to the effect that the status of the accounts is unaudited and may be subject to change;
   b. The annual governance statement (whether or not that has been approved by the Committee);
   c. The narrative statement (referred to above)
   d. A statement that sets out the period for the exercise of public rights, details of the manner in which notice should be given of an intention to inspect the accounting records and other documents, the name and address of the local auditor and details of the provisions in the Local Audit and Accountability Act 2014 regarding inspection of documents and rights to make objections.

14.   The period for the exercise of public rights is treated as being commenced on the day after the requirements set out in paragraph 13 have been fulfilled. In previous years the draft statement of accounts was presented to the Committee for information ahead of the public inspection period, however this was not a requirement of the 2011 Accounts and Audit Regulations. Given the new requirements set out above it will not be possible to present the draft accounts to a meeting of the Committee before the public inspection period commences. In view of this the Committee is asked to agree to no longer receiving the draft accounts. The Committee will still receive the statement of accounts to approve in September (or earlier in accordance with the revised timetable) following the audit and Committee members will be able to access the draft statement of accounts on the website once they have been published and raise any queries with officers.

15.   Similarly, the timing of the Committee receiving the annual governance statement (AGS) will need to change as a result of the requirement to publish it alongside the draft statement of accounts prior to the start of the public inspection period. For 2015/16 a draft of the AGS will be considered by the Audit Working Group on 26 May 2016 and any changes will be incorporated into the published version. The Audit & Governance Committee will not receive the draft version before it is published, however will consider and approve the final version in September. In view of this the Committee is asked to agree to no longer receiving the AGS in July. The Committee will receive some of the key independent reports that inform the AGS at its meeting in April, such as the Annual Report of the Monitoring Officer and the Fire & Rescue Service Statement of Assurance. A final draft of the Annual Report of the Chief Internal Auditor will be available for the Audit Working Group meeting in May and will be reported to the Committee in July.

16.   The requirement to advertise the public inspection notice and notice of conclusion of the audit has been replaced by a requirement to publish the notices (which must include publication on the authority's website). In view of this the notices will no longer be advertised in local newspapers.

RECOMMENDATIONS

17.   **The Committee is RECOMMENDED to:**
(a)   **note the report;**
(b)   **agree that the draft statement of accounts will no longer be presented to the Committee for information;**
(c)   **note that the draft Annual Governance Statement will be considered by the Audit Working Group before publication;**
(d)   **agree that the Annual Governance Statement should only be presented once to the Committee, in its final draft for approval in September.**

LORNA BAXTER
Chief Finance Officer

Background Papers: Nil

Contact Officer: Stephanie Skivington, Strategic Finance Manager (Accounting & Reporting), 01865 323995

February 2016

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Division(s): ALL

AUDIT & GOVERNANCE COMMITTEE – 24 FEBRUARY 2016

PROGRESS REPORT ON THE ACTIONS IN THE 2014/15 ANNUAL GOVERNANCE STATEMENT

Report by the Chief Legal Officer and Monitoring Officer

Introduction

1.   Audit & Governance Committee approved the Annual Governance Statement (AGS) for 2014/15 in July 2015. This included six actions to be followed up by the relevant corporate lead and/or directorates in 2015/16. This report is the progress report on these actions as at the end of December 2015.

Update on actions

2.   Annex 1 and 2 set out the progress on each of the actions for 2015/16. As at the end of December, progress has been made on all of the actions. Some of the actions are now complete or will continue to be monitored as part of business as usual. Where actions are on-going consideration will need to be given to including those as actions in the 2015/16 Annual Governance Statement.

3.   A final update on the actions will be provided to Audit & Governance Committee on 20 April 2016.

RECOMMENDATION

4.   **The Audit & Governance Committee is RECOMMENDED to note the progress on the actions.**

NICK GRAHAM
Chief Legal Officer and Monitoring Officer

Background papers: Annual Governance Statement 2014/15, which is published with the Statement of Accounts and available on the council's website:
https://www.oxfordshire.gov.uk/cms/sites/default/files/folders/documents/aboutyourcouncil/counciltaxandfinance/auditandaccounts/StatementofAccounts2014-15.pdf

Contact Officer: Kathy Wilcox, Finance Business Partner (01865) 323981

Annex 1 – 2014/15 AGS Actions Progress Report

Action	Progress
1. Data Quality (on-going from 2013/14) For each major or critical database held by the Council, identify what are the necessary, realistic and affordable features that there should be to ensure that an appropriate level of data quality is reached. Check if these features are in in place and effective. Then if possible make changes so that any features that are missing or weak are put in place or improved. Then report back on this process. List any remaining changes that need to be implemented and whether, when and how this will be possible.	The report to Audit & Governance Committee in November 2015 set out a series of actions in a two stage plan. • Stage 1 – Actions that could be completed or significantly progressed up to 31 March 2016 • Stage 2 – A longer run programme of work that was likely to span 2016/17 and 2017/18 **Areas for Data Quality Improvement** – a combination of the information gathered from Information Asset Registers along with the business systems priorities (as defined by the Business Continuity Stakeholders Group (BCSG) will be used to set out an approach and publish an appropriate timeline. Further work will set out the approach and publish an improvement timeline in preparation for the start of the main work from 1 April 2016. A formal project is being created to ensure that there is a clear scope and effective governance with an agreed timescale. **Data Quality on Priority 1 Systems** – Some of the Council's 30 Priority 1 systems already have mechanisms for data quality built in. ICT will ask for advice from the suppliers of the priority systems to find out what is available and then introduce changes where it is appropriate to do so and with support from the Directorates. Using the council's defined Priority Systems list (as agreed with the Business Continuity Stakeholders Group), ICT are writing to all suppliers to ask them to confirm what functionality or features already exist in their business systems and whether they are already enabled or not. Standard CIPFA definitions will be used to measure Data Quality as set out in the Council's Data Quality Policy.

Action	Progress
	Some Service areas already carry out 'data checking' activities as part of their Service Monitoring and Reporting responsibilities. Spot checks will be introduced on a regular basis for all Priority 1 systems using the standard Data Quality Principles as set out in the Data Quality Policy. ICT will publish regular reports on those findings. The intention is to have a list of Priority 1 systems and a consistent regime of basic data quality 'spot checks' in place by the end of March 2016. ICT continues to regularly publish intranet articles about security and Information Management and is working towards developing a mandatory online training course to provide a firm grounding in the principles of data quality, what that means and its importance.
2. Commercial Services Board (ongoing from 2013/14) 1. Communicate the role of the Commercial Services Board and ensure that its requirements are fixed in place in the Council. 2. Implementation of the Contract Management Framework 3. Development of the County Procurement Team including resources to support the ongoing work of the Commercial Services Board and implementation of the contract management framework. 4. Tackling instability arising out of the externalization agenda and the effect on SAP governance and control mechanisms	The Commercial Services Board terms of reference and governance arrangements have been reviewed and revised terms and responsibilities are being rolled out. A Gateway Review Panel has been created and is in the process of being implemented. A business case training programme involving 90 managers will take place in February & March 2016. The expectation is that the training will raise awareness of commercial skills and build capability across the council. 91 contract managers have also been engaged in the 'passport to practice' program relating to contract management. The implementation of a Contract Management System has been agreed by the Commercial Services Board. The Corporate Procurement Lead, who is now in post, will lead on the procurement of the system with full implementation planned for summer 2016. The Corporate Procurement team will now focus on enforcing the new Commercial Operating Model through the Gateway Review Panel which supports the Commercial Services Board

Action	Progress
3. Business Continuity (BC) (ongoing from 2014/15)	
1. Increase awareness and scrutiny of BC when buying in or outsourcing activity	This action is currently on target, but is likely to remain an issue as budgetary pressures and commissioning activity change.
2. Ensure that flexible and agile working takes account of the need for BC	Action is on target but may need to continue to accompany the agile working programme in 2016/17.
3. Improve links between Directorates and the Business Continuity Steering Group (BCSG)	Awareness of the value of BC is being raised through directorate level BC exercises and the response to events in 2015/16.
4. Improve the Priority 1 exercise programme	Directorate level BC exercises continue, and will cover Customer Services in February 2016, Children, Education and Families in May 2016 and Social and Community Services in October 2016. In November a Communications & Media exercise successfully engaged partner agencies across Oxfordshire and examined continuity arrangements around a major incident with both BC and emergency response requirements.
5. Improve awareness of Business Continuity across the organisation	This action is on target and will continue through to Business Continuity Awareness Week in 2016 and also with any new partnerships or devolution arrangements.
6. Use the good practice guide to improve BC generally	This action is ongoing - the Business Continuity Institute (BCI) Good Practice Guidelines have been adopted by BCSG and will be adopted formally by the council in the new BC strategy for 2016. This includes strategy and framework, lifecycle and review, and will introduce outstanding elements such as Business Impact Assessments.
7. Scrutinise the Business Continuity resilience of new projects. Notably the Integrated Business Centre and the Joint Fire Control, to support bedding in for the first year.	Action on target. New projects can be identified for 2016/17.

Action	Progress
4. Externalisation of Human Resources and Finance Services (ongoing from 2014/15) Setting up, implementing and fixing in place our new operating model includes extensive working with another public body and other work. This work continues as Hampshire take on this role in July 2015.	See report elsewhere on the agenda for an update on this action.
5. Strategic Risk Register The Strategic Risk Register to be refreshed and agreed by CCMT, with a quarterly review, including management assurance on the effectiveness of the mitigation for the Strategic Risks	The Corporate Risk register has been reviewed by CCMT, and updated. Risks are all owned by a member of CCMT. The risk register was presented to the Audit Working Group on 4 February 2016. CCMT will be formally reviewing the risk register quarterly.
6. Supported Transport for Children To ensure full implementation of the children's safeguarding standards framework for the transport service and the provision of assurance that these arrangements are effective.	The Supported Transport Governance Group reported progress against the safeguarding action plan to County Council Management Team in December 2015. Further progress has been made in the following areas: • All high risk assessments and passenger passports were completed by 31 October 2015. • Section 11 safeguarding report submitted to Oxfordshire Safeguarding Children Board. • The Joint Operating Framework is complete and all parties have signed the agreement. • Performance Measures have been agreed for reporting on a quarterly basis to all three directorate leadership teams. Further actions will be progressed and monitored in 2016/17 as part of the on-going project.

AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT 2015

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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 2015.

The Committee operates in accordance with the good practice guidance produced by the Chartered Institute of Public Finance Accountancy (CIPFA) in 2013.

The Committee continues to be well supported by Officers, providing a high standard of reports and presentations. In particular I should like to thank the Internal Audit and the External Audit teams.

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 Sandy Lovatt 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

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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 2013. The Guidance defines the purpose of an Audit Committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.
2. The purpose of and Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

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.

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Key Activities

In this section the activities of the Committee in 2015, including the Audit Working Group, are summarised under the headings of the key functions.

Internal Control

The 2014/15 Annual Governance Statement was agreed by the Committee, and included six areas for action to improve existing governance arrangements. The Committee actively monitors progress with the implementation of these actions. The six key areas are:

Data Quality
Commercial Services Board
Business Continuity
Hampshire IBC Partnership for Finance and HR Services
Strategic Risk Register
Supported Transport for Children

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

CEF Transport
Residential and Home Support payments
Adult Social Care Client Charging
Adult Social Care new IT system
Direct Payments
Disposal of ICT Equipment
Hampshire Partnership

During 2015, the Committee continued receiving cyclical presentations from the "Corporate Leads" who monitor the adequacy and effectiveness of the key governance processes. During the presentations the Leads set out their framework for monitoring and reviewing the key system, and the assurance it provides.

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 Areas of Focus in 2016
- **Health and Social Care Integration;**
- **Hampshire Partnership;**
- **Major Programmes;**

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Risk Management

The Committee through the Audit Working Group has continued to undertake a cyclical review of the Directorate Risk Registers, and receive the quarterly risks management reports from the Chief Internal Auditor.

Overall the reports received have demonstrated the process for reporting and escalating risks is being maintained; however, it was noted several of the high risks escalated to CCMT appeared to have unachievable target dates for reducing the level of risk. The Committee has recommended to CCMT closer scrutiny and challenge on risk mitigation plans and target dates for reducing risks to acceptable levels.

The Corporate Risk Register has been updated and will be subject to regular review by the AWG during 2016.

A review of the Risk Management Strategy has been undertaken and this is due to be reported to the Committee in April 2016.

Key Areas of Focus in 2016
- Risk Management Strategy
- Corporate Risk Register

Internal Audit

We approved the Internal Audit Strategy for 2015/16, 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 appropriate working with the Senior Officers to seek assurance that matters are being dealt with promptly and effectively.

The annual review of the effectiveness of the system of internal audit, commissioned annually by the Committee will report in April 2016.

The Committee has continued to monitor the resourcing of Internal Audit, and was very pleased to note that from January 2016, the team is fully resourced. Based on the evidence of the reports presented to the AWG and the Committee, the team continues to provide an effective challenge and therefore assurance on the key risk activities.

During 2015, the Internal Audit structure was split to provide capacity for risk management and for the management of the assurance mapping process, focussing of the critical services across the Council. A compliance function has also

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been developed. The Committee agreed with the revised structure, which is designed to provide a wider coverage and therefore provide the Committee with greater assurance that has previously been provided from the Internal Audit Service. The structure and the assurance mapping procedure has bene developed in 2015/16, and is expected to be fully operational in 2016/17.

Key Areas of Focus in 2016
- **Embedding the assurance reporting procedure.**
- **Compliance Reviews**

External Audit

The Council's external auditors, Ernst and Young, attended all the committee meetings in 2015, providing regular updates on their work plan and any matters arising. In addition they have provided the Committee with sector updates for consideration that highlight key themes, issues and priorities for local government. These have been well received and are very helpful to the Committee.

The external auditors have an open invitation to attend the Audit Working Group. They do not routinely attend, but do receive all the papers.

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 Areas of Focus in 2016
- **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 reported matters of suspected fraud, including investigations. In 2015 there have been several instances of potential minor fraud reported.

The Council is now working in collaboration with the Investigations Team in Oxford City Council who provide our counter-fraud service.

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.

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Key Areas of Focus in 2016
- **Fraud risk assessment**
- **National Fraud Initiative data matching**

Annual Accounts Process

The 2014/15 Accounts were prepared on time and presented to the Committee for comment. We received the External Auditors report in September 2015 when it was very pleased to note that high standards had been maintained with no material issues reported.

Key Areas of Focus in 2016
- **Hampshire IBC Partnership, and the Impacts Project within OCC.**

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.

The committee members attended an industry update briefing presented by Arlingclose in January 2016 covering new legislation and potential risks; to help inform the review of the 2016 Treasury Management Strategy.
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Key Areas of Focus in 2016
- **Continued scrutiny over the Treasury Management process.**

Governance

Committee agreed the Annual Governance Statement 2014/15 that explained how the County Council had complied with the code of corporate governance.

During 2014/15 the Committee reviewed the Corporate Governance Framework and the Code of Corporate Governance; and, contributed to the governance and constitution review.

The Committee also received the following reports, the annual report of the Monitoring Officer; the annual report of the Local Government Ombudsman; the use of the Regulation of Investigatory Powers Act 2000 (RIPA); and, the Fire and

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Rescue Service Annual Statement of Assurance there were not material issues or concerns. The Committee was also asked by Council to develop potential measures that could be taken by the Council to increase the diversity of members standing for election in May 2017.

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 is responsible for the work of the Appeals & Tribunals Sub-Committee a panel of members that is chaired by a member of the Audit & Governance Committee*. They carry out a range of appeals and tribunals:

Type of appeal	Number in 2014-15
Member Appeals:	
• Appeal against dismissal	1
• Appeal against redundancy selection	1
• Raising concerns at work appeals	2
• Disciplinary and Capability appeals	0
Job Evaluation formal appeals	0
Home to School Transport Appeals	17 24 appeals upheld (wholly or in part) 28 appeals refused 16 appeals withdrawn

* Excluding Home to School Transport Appeals where the Panel is made up of one councillor, one officer and one independent person.

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.

The Audit Working Group, chaired by Dr Jones, comprises three elected members from the Committee, 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 2015 the Chief Finance Officer, the Head of Law and Governance & Monitoring Officer, and the Chief Internal Auditor routinely attended the meetings. These same officers 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 2014 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.

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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;

- 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 up to 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.

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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 2015

Review Date……February 2016

Officer Responsible   Ian Dyson, Chief Internal Auditor
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                           Ian.dyson@oxfordshire.gov.uk

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AUDIT & GOVERNANCE COMMITTEE –24 FEBRUARY 2016

HAMPSHIRE PARTNERSHIP – SIX MONTHS' POST GO-LIVE STATUS

Report by the Chief Finance Officer

Executive Summary

1. An update on the Hampshire Partnership - Three months' post Go-Live was provided to the Audit & Governance Committee on November 2015. The six month's post Go-Live milestone was achieved in January 2016.

2. This report focusses on the status of the service at six months stabilisation, including issues which are still outstanding and actions taken for resolution. In scope is Finance, HR and Schools.

3   A joint report with Hampshire County Council (HCC) is attached at **Annex 1** – Integrated Business Centre (IBC) Services to OCC – 6 Month Stabilisation. The IBC is the specific name of the shared services centre in Hampshire.

4. Overall, OCC is in a much improved positon compared to three months ago, at the mid-point through stabilisation. The expectation has always been, and has been communicated to Members, that stabilisation and embedding of the new arrangements were always expected to take six months.

5. OCC continues to work closely with HCC to understand and respond to remaining issues and has implemented a number of mechanisms to ensure a swift resolution.

Governance Arrangements – Operational and Strategic Boards

6. The Hampshire partnership provides shared Corporate Services for Hampshire County Council, Hampshire Fire & Rescue, Hampshire Constabulary and OCC. Operational and Strategic Boards have been established which bring together all the four partners. The Chief Finance Officer chairs the Operational Board and represents all operational partners on the Strategic Direction Board.

7. Meetings of both Boards were held in January 2016. At these meetings all partners agreed that in order for HCC to be able to sell its services and broaden its customer base, two things were required; qualitative data, which gave a view of customer satisfaction with the service, and reliable and efficient service delivery.

Remaining Outstanding Issues and Specific Actions for Resolution

8. There are two key ongoing issues related to delivery of services by the Hampshire partnership, which we are working very closely with HCC to resolve. These, and their associated actions, are all detailed in the joint report, in **Annex 1**. The two which are significant are listed below:

   - OCC has yet to receive a full set of the monthly pension data for either the Local Government or Fire-Fighters Pension Schemes. The Pension Services team is finding workarounds to avoid undue delay in the payment of new pensions and death grants, but the lack of data has led to delays in the calculation of employer contribution rates for new academies. The late submission of data may potentially result in difficulties in providing the Actuary with the information required for the 2015/16 Accounts and the 2016 Valuations. However, this is being actively managed and work is continuing with IBC colleagues to ensure all the outstanding data is provided, and we continue to assess and mitigate the risk. There is a jointly agreed plan in place to deliver this information in the required timeframe, which HCC is progressing.

   - HCC not meeting target response timescales for queries and measuring the effectiveness of those responses. The non-achievement of targeted response times has ramifications both on the business and its customers. As an example, a number of adjustments need to be made retrospectively to payroll when response timeframes aren't met by HCC, exacerbated by OCC manager late notification. HCC will be rolling out a plan of continuous improvement of its Customer Support model, including the Contact Centre and online enquiry forms to meet targeted requirements, over the coming months. The plan will look at quantitative (response times) and qualitative (effectiveness/customer experience) aspects. OCC will supplement this with user/manager education and improved online guidance.

9. Detailed/transactional level information which under pins the Aged Debt Report, especially with respect to legacy debt (pre-IBC or migrated debt) is currently outstanding.

10. There are some operational issues that have been identified during the stabilisation period, that are not directly IBC related but are as a consequence of the transfer and should have been addressed during the business readiness project stream. These are now being addressed internally within the Directorates on a case by case basis, overseen by Corporate Finance to ensure internal control requirements are being met.

11. There are some other issues on the income collection side, which are undermining confidence in service reliability, including;

- A batch of invoices being sent to OCC customers with HCC payment details;
- Invoices emailed to customers which are hitting spam filters and hence risking non-payment;
- Emails being sent to customers with unsuitable subject headers (e.g dunning letters, or invoice numbers);
- IBC Portal reports not being an accurate reflection of an actual customer account balance as data is being drawn from other customer records.

The IBC are aware of these issues, as they have been escalated to the Head of the Shared Services Centre. There is a plan in place for resolution and is currently treated as a priority.

OCC Actions for Process Improvement

12. We have in place a number of arrangements from an OCC perspective to more effectively capture and resolve issues:

- Since October 2015 we have been meeting monthly with IBC representatives to discuss purchasing and income related issues. This will continue at least until the end of the financial year.
- In November 2015 we implemented a more coordinated approach to the capture, escalation and resolution of issues through an IBC Coordination Group consisting of a nominated Coordinator for each Directorate. This group excludes schools as issues have been addressed through the Schools Transition Team. The Coordination group meets weekly and on a regular basis they are attended by the Head of the IBC and his subject matter expert.
- In December 2015 we identified particular IBC issues relating to the payment of large suppliers in E&E. We subsequently invited relevant staff and IBC representatives to discuss these issues and associated processes in detail. There was also a follow-up session in January. This targeted approach has proven to be very successful and are currently working with other Directorates to deliver the same.
- For the last few months, senior representatives in OCC have regular (at least monthly) face-to-face dialogue with senior members of the IBC to escalate significant and unresolved issues relating to Finance and HR. There is now a well-defined escalation route into the IBC.
- "Bitesize Training" rolled out in October for both Finance and HR continue to be popular and well attended and have contributed to the more effective management and resolution of problems.
- The Business Date Upload (BDU) was designed as an interface into the IBC SAP system for one-off vendor transactions, and for which no other standard solution is currently available. A project was established in October to review these transactions, as the controls around this system

are weak. The Project team have identified a number of areas which could use an existing solution for payment and those which require an alternative to the current interface system. We will be having discussions with HCC over the coming weeks.

Moving Forward

13. Now we have achieved six months' stabilisation of the IBC, it would seem appropriate to take a more strategic and targeted approach to issue resolution and improvements. In the lead up to stabilisation the view was more short-term and tactical, which was required to reach a steady state.

14. There are a number of mechanisms which have already been introduced or are in train to enable this transition:

- In the lead up to year-end closedown, The Procure to Pay (P2P) "Bitesize Training" will be less generic and will focus on targeted use of reports and information which can be extracted from the IBC portal. The portal contains copious amounts of information which will facilitate year-end activities. We are also undertaking some analytics around how many people across the organisation have been trained and if there are any obvious gaps we need to target. We have requested a report from the IBC around the types of P2P queries being submitted via on the online tool to further target training requirements.

- A P2P Improvement Plan is in the process of being developed to focus on the long-term strategic process improvements to facilitate an embedded and sustainable solution.

- We have introduced a focussed resource in Corporate Finance to be the conduit with the IBC on all corporate debt related issues and re-engineered the process to ensure they are managed swiftly.

- A member of the OCC corporate income team will be working with the Music Service to improve its internal processes and better align with the IBC with a view to fully automate the regular invoice run.

- OCC is establishing a Schools Review Group, similar to that established in HCC, which will be meaningfully involved in the on-going review, development and improvement of schools processes with HCC. This Group will have its initial meeting in March and report into the Schools Forum.

- For the relationship with HCC to continue to grow in a constructive and positive way, users need to be more optimistic and encouraging in the communication with OCC staff and with the IBC. At this point in the partnership, this change of mind set is critical to building a strong long-term relationship. Internal communications will be framed in this manner.

- HCC has a planned roll-out of a number of strategic process improvements over the next 12-24 months which will be of significant benefit to OCC including: increased self-service capability for managers; design and deployment of technology to support self-service; change to business processes to continue the adoption of new ways of working; National Living Wage and National Insurance changes; assessment of resources, structures and remuneration to support delivery of wider organisational change and redevelopment of a Recruitment Retention Strategy.

RECOMMENDATION

15. The Committee is **RECOMMENDED** to agree that a further update be provided in 3 months' time.

LORNA BAXTER
Chief Finance Officer

Contact Officer: Anna D'Alessandro, Interim Deputy Chief Finance Officer
Email: anna.dalessandro@oxfordshire.gov.uk

February 2016

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Title:	IBC Services to OCC – 6 Month Stabilisation – Gateway Review	
Date:	January 2016	
Report From:	Gary Westbrook, Head of Shared Services	
Contact name:	Gary Westbrook	
Tel:	01962 846484	Email:	gary.westbrook@hants.gov.uk

1.   Introduction and context

1.1   The purpose of this paper is to provide an overview of the first six months operation of the shared service arrangement between Hampshire and Oxfordshire County Council, from July to the end of December 2015.

1.2   OCC Cabinet took the decision to join the Hampshire partnership in June 2014 following a comprehensive strategic business case. It was decided that joining the Hampshire partnership would realise significant collective benefits through sharing resources, investment and capacity.

1.3   Hampshire very clearly set the expectation that a 3 to 6 month period of stabilisation would be necessary and a jointly agreed stabilisation process was implemented to address issues in a collaborative way. This six month check point provides an overview of the stabilisation achieved to date and an update on the issues that were identified at the 3 month check point.

2.   Strategic achievements/plans

2.1   Oxfordshire County Council have joined the Hampshire Partnership which is providing shared Corporate Services for Hampshire County Council, Hampshire Fire and Rescue and Hampshire Constabulary. As envisaged, the partnership delivers significant savings on Corporate Services as well as providing a modern self-service framework supporting public services providing further potential for achieving greater economies of scale from additional future partners.

2.2   As anticipated, the first 6 months of operation has been a significant challenge in terms of the scale of business change required, embedding new ways of working and resolving a range of first time events associated with the transfer of data and business practice in July 2015. There has been a collective effort through on-going business readiness, user engagement and training during this period. A number of stabilisation issues have impacted the confidence in the model detailed in Section 3, but

these are continuing to be collectively resolved by colleagues across both organisations and are reducing in volume and scale as the model embeds.

2.3   The performance metrics summarised in Section 4 show a stabilisation across the majority of areas including confidence over the continued accuracy of payroll and the timely processing of invoice payments and income receipting. Concerns are raised in the stability and effectiveness of the customer contact model, and against some specific areas (e.g. recruitment cycle time), where recommendations have been included for further investigation and action.

2.4   All partners will benefit from future investment and a programme of enhancement is currently underway with further developments around reporting and mobile technology scheduled for 2016. This development plan was shared through the partnership governance channels in January 2016 through OCC's Chief Finance Officer.

3   Stabilisation issues identified/resolved

3.1   A number of issues have occurred during the 6 month stabilisation period. These have been managed by a Professional Leads Stabilisation Group which has overseen a record of stabilisation issues for the 6 month period to prioritise actions and mitigate associated risks, including representation from Finance, HR and Schools. A number of issues were documented in the 3 month stabilisation report which had been resolved and have therefore not been repeated below.

<u>Finance</u>

- Significant levels of unallocated cash built up during the initial period, including some debtor accounts not being cleared down. This was expected but has taken longer than anticipated to resolve and there have been issues with the accuracy of some clearances. Teams from HCC and OCC are working together to share knowledge in this area and this has now reduced to an expected level.

- Given the greater responsibility of managers within the business to process and approve payments, there is a higher risk of duplicate payments during the stabilisation period. Business processes are now in place for monitoring and managing suspected duplicate payments. This is being overseen by the Deputy Chief Finance Officer in OCC.

- There has been a delay to the planned roll out of aged debt reporting tools to enable managers within the organisation to have visibility on the aged debt position. The aged debt position was reported at both the 3 and 6

month stabilisation reviews and, as an interim measure, monthly aged debt reports at an organisational level are provided directly to OCC.

- At the 6 month check point analysis of petty cash usage in OCC revealed that 17% of accounts were yet to have their first claim submitted and 15% of accounts were yet to record a transaction using the portal. This is a marked improvement on 48% and 35% reported respectively at the 3 month check point. Resolution of user access and improved knowledge and support has lead to this improvement, however the issue still remains to be fully resolved.

- Following the introduction of the BPC (used for budgeting and forecasting) system a number of Change Requests (CRs) were raised. There has also been some instability of drill down to actuals that has been investigated and resolved. Progress has continued toward delivering the approved CR's and a summary of the current status is included in Appendix 2.

HR, Pay and Expenses

- There has been a delay in returning monthly pension information for both OCC and OFRS, creating a risk for the accuracy of in-year information and a corresponding impact on the end of year Fund valuations. The OCC pension return format was reviewed and agreed and returns completed successfully, although there has been some on-going issues with the format and accuracy of particular files. Issues with OFRS return have not yet been resolved. A project is now in place to ensure all information required will be available to OFRS pension scheme administrators by the end of the financial year. Preparation for end of year, including system enhancements, is in progress.

- The first time the expenses compliance process was executed highlighted that the OCC format excluded certain necessary fields which invalidated the process. Recipients of the compliance requests were instructed to disregard the communication. The technical issues have been resolved and full testing is taking place prior to re-scheduling the process in consultation with OCC.

- A suspense account balance for casual expense claims has built up since go live. The standard operating model requires casuals to input a cost centre for an expense claim, but if this field is not overridden it will default to suspense cost centre. A change request has been raised to address this.

- As part of the on-boarding process some honoraria wage types were incorrectly created and signed off, resulting in the incorrect pensionable

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treatment for approximately 150 employees. Although the calculations and pay relating to the individuals' substantive salary was correct the pay and pension calculations relating to their honoraria payments needs to be adjusted. Adjustments will be completed within this financial year.

- Responses to the self service enquiry forms continue to be slower than expected, given the significant volume of enquiries from new service users (see Section 5). During the past two months the volume of new enquiries is falling steeply as the user base develop an understanding of the system and where to access self help information. As noted in Section 5, further work is required to address the response times and consistency of advice to customer enquiries.

- Flexi time issues have been fully resolved. Due to the initial issues a significant number of OCC staff discontinued use of the system and options for re-starting flexi user are being considered.

Schools

- The formal and informal feedback continues to indicate that OCC schools are finding the change difficult. They have moved from a paper based system with a significant level of interpretation as well as support being provided by OCC. Significant levels of additional transitional support has been provided from both the OCC and HCC colleagues. This included an extensive programme of face to face training and approximately 400 bookable shadowing sessions during October 2015.

- A number of underlying system issues have been identified since deployment that have created problems with contract accuracy. This has led to a backlog of contracts particularly within schools. Work is underway to correct underlying issues and clear the backlog - the target is for all contracts to be issued by end - February.

4   Measures and performance metrics

4.1   Whilst the focus on specific performance measures will change over time the initial key performance measures were identified in the "Integrated Business Centre - Oxfordshire County Council On-boarding Project - Benefits Realisation Plan v1.0". The metrics relating to these performance indicators, the majority of which are OCC specific, are included in Appendix 1. To date metrics have been quantitative, customer feedback and qualitative measures will now be developed.

4.2   The performance metrics that relate to **purchasing** show a positive position

and trend, with:

- Purchase orders raised via the eStore (supplier catalogues and purchasing facilities) are running at a consistent monthly level once the overall numbers have been adjusted for schools holidays and the associated fall in volume.

- eStore purchases of values up to £250 for non-contracted spend would ideally be made using a P-Card. Metrics to date show a significant number of purchases of this kind being made via the eStore.

- The number of purchase orders being sent out electronically started at 45% in the first month and rose sharply in the second month to 92% and in month 3 has achieved an exceptionally high 94% which is higher than the overall average for other partners. This trend has continued and can partially be attributed to the culture of self service OCC had already achieved in advance of implementation.

- In the first month of operation none of the invoices were over 30 days old, therefore the number paid within 30 days was expected to drop in the second month. It should be noted that the percentage paid within 30 days is still running at over 95%. This reflects that immediate payment terms are still being employed, which are constantly under review.

- The number of invoices processed through VIM (online invoicing system) is increasing which can be taken as an indication of suppliers adopting the new processes.

- Future upgrades to VIM may provide the facility to enhance feedback to managers and suppliers when invoice issues are identified.

4.3 The performance metrics that relate to **finance** show a positive trend, with:

- As anticipated the holding and suspense accounts showed a significant level (number and value) of un-cleared receipts and payments at the end of the first 3 months. Whilst it would take time for the knowledge to build the trend was very positive, illustrating a very steep learning curve for the team following on boarding. The success of this is demonstrated by 95% of holding and suspense accounts being cleared at the end of the 6 month period.

- The average time to apply unallocated cash fell significantly after the first month of operation and is now averaging 3.2 days which corresponds to performance for other partners.

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- VAT returns are being completed and submitted within 21 working days of the month end.

4.4   The performance metrics that relate to **Operational Finance** continue to show a positive position and trend with 100% of requests in all areas being processed within the agreed timescales.

4.5   The performance metrics that relate to **payroll** show a positive position and trend with:

- The number of payroll errors on final run in relation to the information in the system at the time the payroll is run and executed is very low at an average of 0.07% (8.9 errors). This mirrors the low percentages recorded for other partners. The trend has increased marginally, and is being investigated.

- The number of overpayments being managed as formal casework are consistently very low at an average of 0.24% of the number on payroll. This mirrors the low percentages recorded for other partners.

- The number of payroll actions entered for a previous month after payroll has run, this include starters, leavers and changes, remains high. During the second quarter since on boarding Directorates are averaging 35% and schools averaging 55%. These retrospective adjustments are driven by unresolved queries in month, alongside late notification by staff and managers. The adjustments in turn create additional volumes of enquiries which impact upon the performance of the customer contact model, the level of resourcing required in the transactional teams, and importantly perceptions that payroll is incorrect for the customer. Further work is required to breakdown the query types to direct efforts to ensure management actions are conducted with an awareness of payroll operation.

- HR and pay transactions that are completed on line through self service is stable at an average of 80%.Although this is a positive figure given the significant shift to self service it is lower than anticipated and this indicates an area for further work with the user base and future system enhancements to facilitate greater levels of self service.

4.6   Over the past 3 months **recruitment** is taking on average longer than the target of 50 days. Significant effort by both organisations, in delivering workshops and additional support to managers, has not yet been effective in changing this position. Monitoring shows that at the 6 month check point the number of recruitments either in process or processed is over 55% (over 1000) above the level anticipated which is significantly impacting the

recruitment cycle time. Further work is required to better understand the where the bottlenecks in the recruitment process is impacting the 50 day cycle time and work is concluding to a reporting suite to enable this understanding throughout the key aspects of the recruitment cycle.

4.7   The performance metrics that relate to **DBS Checking** are showing an expected level over the term of the report.

4.8   The performance metrics for **Master Data** that relate to customer set up have now been developed. These show a good position with nearly 100% of customer requests and over 95% of supplier requests being processed within 5 working days. This remains consistent with the requests of all organisations.

5   User help and support

5.1   The shared service operation is based on self service and a comprehensive framework of user self service help guides exist for the shared service functions. These are tailored for each organisation where different functionality is used.

5.2   The primary mechanism for query resolution is via an on-line enquiry form accessed via the Portal or ESS Lite. New on-line enquiry forms were launched for all customer groups in July 2015 and a 6 month post implementation review is planned to scope potential enhancements. In addition a Customer Interaction Centre (CIC) is available for any user to phone, to provide high level support and guidance or to transfer calls to second level support based on defined urgency criteria.

5.3   OCC call volumes peaked at the end of the third month and are now declining as users become more familiar with the new systems and how to utilise the self help facilities available. These declining volumes are particularly positive in the context of the decommissioning of the OCC Transition Team which means that all support is focused in the CIC.

5.4   Enhanced customer contact performance metrics are shown below. It is noted that response rates are lower than anticipated, and this is predominantly driven by a high volume of HR enquiries that have not been responded within the 5 day period. Work is now underway to reduce the volume of HR queries, and better understand how additional resource, guidance and advice can be directed more effectively to improve the quality and turnaround of enquiries. Work is also ongoing to provide greater more granular analysis of the customer journey to measure the overall quality of responses as well as speed of response and resolution.

Contact	Performance Indicators	Jul	Aug	Sep	Oct	Nov	Dec
Telephone	- Directorates (inc payments)	1,563	1,550	1,657	1,499	1,308	956
	- Schools	405	174	538	442	473	274
	Total calls received in the CIC	**1,968**	**1,724**	**2,195**	**1,941**	**1,781**	**1,230**
	CIC calls resulting in sign posting/guidance/resolved	55.8%	60.7%	61.5%	60.9%	64.4%	59.8%
	CIC calls referred to complete enquiry forms	28.3%	23.8%	18.3%	20.7%	17.6%	19.9%
	CIC calls requiring transfer to experts	14.5%	14.2%	19.1%	17.6%	17.4%	19.2%
	Calls abandoned	1.4%	1.3%	1.1%	0.8%	0.6%	1.1%
	Total calls	**1,968**	**1,724**	**2,195**	**1,941**	**1,781**	**1,230**

Contact	Performance Indicators	Jul	Aug	Sep	Oct	Nov	Dec
Enquiry Forms	- Directorates (inc payments)	2,693	2,245	2,201	1,865	1,466	1,282
	- Schools	1,059	496	1,624	1,243	1,067	773
	Total forms received in the IBC	**3,752**	**2,741**	**3,825**	**3,108**	**2,533**	**2,055**
	Enquiries Responded to within 5 Days						
	-Directorates	73.8%	61.3%	54.8%	64.8%	49.9%	63.8%
	-Schools	68.3%	40.8%	44.1%	40.5%	41.4%	44.3%
	-Overall	72.2%	57.5%	50.2%	55.0%	47.3%	56.5%
	Enquiries Resolved within 10 Days						
	-Directorates	80.9%	80.9%	76.5%	73.3%	71.7%	69.7%
	-Schools	84.0%	78.0%	72.0%	63.0%	57.0%	57.4%
	-Overall	81.7%	80.6%	74.7%	69.3%	65.4%	65.1%

5.5 In addition the Operational Finance customer contact statistics continue to show that 100% of issues raised via telephone contact have been resolved within five working days (which is the target). In addition a very high proportion of written queries (currently standing at 97%) are fully resolved within five working days with a response to all queries being given within 5 days.

6   ESS Lite Registration

6.1   The level of registration for ESS lite is increasing slowly overall from the initial take on period and is consistent with previous on boarding experiences. Whilst the level of registration for Directorates is holding steady it should be noted that office based directorate staff do not need to register for ESS lite as all functionality can be accessed from the desk top. Further contact with those that work remotely would be needed to verify if the current level of registration is appropriate.

6.2   The level of registration for schools staff is showing a positive trend which may need to be promoted at regular intervals to ensure that schools based staff have access to basic information such as their payslip.

6.3   The current level of OCC user registration for ESS lite is shown below:

ESS Registration	July	Aug	Sep	Oct	Nov	Dec
Overall %	54.6%	54.0%	58.9%	63.0%	67.6%	65.6%
Directorates (%)	63.6%	60.9%	64.6%	64.8%	74.1%	66.4%
Directorates (Volume)	3,184	3,061	3,349	3,096	3,533	3,151
Schools %	49.8%	50.0%	55.5%	62.0%	63.9%	65.1%
Schools (Volume)	4,615	4,390	4,905	5,393	5,530	5,616

6.4   Future enhancements to mobile self service through ESS Lite with the addition of manager approvals will motivate additional registration to support more flexible working.

7   Change Requests

7.1   Good progress has been made on the Change Requests identified in the 3 month check point report, which has been overseen and monitored by the Professional Leads Stabilisation Group on a monthly basis. Further enhancements have been identified and the current schedule of change requests is included at Appendix 2. A rolling programme of change requests has always been anticipated as a feature of a successful service.

7.2   Change control governance is in place to ensure appropriate ownership and sign off, as well as maintaining the integrity and standardisation of business processes across all partners. Changes relating to a deviation from the standard operating model or are OCC specific will incur a cost outside of the overall cost agreement, and this will be agreed with OCC prior to the final approval.

8   Conclusions and Recommendations

8.1 A summary of the status of the 3 month recommendations are included in Appendix 3. All actions are complete, although further on-going work is required to continue to assess the benefit realisation of the partnership model as it continues to embed during the first year of operation.

8.2 Based on the information included in this document the following are recommended:

- Continued focus to increase resolution of customer enquiries within target timescales, with the priority area of focus being HR. The performance metrics will be developed to include qualitative measures and will be closely monitored to assess improvements over the next 6 months

- Further user education is required by OCC to increase understanding of the implications of late entry of payroll information, coupled with the above recommendation this will contribute to drive down the number of post period adjustments

- Additional improvements to customer contact include:
  o Embedding the recently implemented quality monitoring process, as part of continuous improvement, to identify improvements, knowledge and training needs
  o Planned review of the online enquiry forms during 2016

- Conclude delivery of remaining pensions plans:
  o Deployment of the agreed OCC monthly pension reports
  o Delivery of OFRS monthly return
  o Delivery of end of year reporting for all pension schemes

- Analysis of new recruitment reports to identify where bottlenecks and delays are occurring and agree actions to address.

- OCC to review their current and future recruitment volumes so that resource implications can be agreed and addressed

- OCC to adopt a continuous improvement approach to reviewing the adequacy of the business processes that have been put in place to mitigate the risk of duplicate payments being processed

- Approach to be developed to manage the historic balances relating to casual payments for expenses

- Continued focus to deliver required minor changes to BPC (used for

budgeting and forecasting)

- Analysis of manual travel and expenses claims required to understand demand and develop plans to move to the 100% self service target

- Investigation of lower value payments is required to identify opportunities for greater use of P-cards with subsequent business engagement to make the change

- Further Procure to Pay (Accounts Payable) and Finance dashboard reporting facilities to be deployed during 2016.

Appendix 1 – Performance Measures & Metrics

Finance

Ref	Function	Performance Indicator	July	Aug	Sept	Oct	Nov	Dec
F1	Purchasing	Orders placed through the eStore (catalogue / free text) Directorates Schools	6,125 2,404 3,721	3,674 2,333 1,341	11,110 2,350 8,760	7,939 2,184 5,755	8,761 1,958 6,803	6,549 1,732 4,817
F2	Purchasing	Purchases < £250 not completed on P-Card Volume	100% 2,951	47.9% 1,638	63.1% 6,122	56.7% 4,824	54.7% 5,065	53.1% 3,952
F3	Purchasing	POs sent electronically	45.8%	92.6%	94.6%	90.3%	89.2%	92.5%
F4	Payments	Invoices paid within 30 days of receipt of invoice by the IBC MIRO VIM	100% 100%	100% 98.5%	99.9% 97.9%	98.9% 96.4%	99.8% 93.9%	99.7% 97.0%
		Invoices paid within 30 days of the invoice date MIRO VIM	94.2% 41.7%	81.9% 59.3%	89.4% 65.3%	94.0% 65.6%	95.5% 63.8%	92.7% 66.2%
F5	Payments	Total invoices processed (inc. interfaces)	8,055	8,432	14,032	13,313	14,680	15,545
		Total invoices processed (ex. interfaces)	6,267	5,124	11,185	6,350	6,905	5,664
		Invoices processed through VIM	2,678	3,814	3,937	3,694	4,296	4,327
		Invoices processed through MIRO	5,377	4,618	10,095	9,619	10,384	11,218
F6	Payments	Invoices returned to supplier under "No PO No Pay" policy	3.2% 256	2.9% 247	1.2% 163	x	x	x

F7	Banking	Holding and suspense accounts reconciled and cleared at month end (Cumulative balances, from go-live to the end of December 15)						
		Income Receipts (Cr)						
		Total Items	1,854	3,913	6,660	9,453	12,447	15,073
		Items cleared	99.0%	99.1%	99.2%	99.0%	98.8%	95.6%
		(position at Sept 15)	*57.6%*	*82.5%*	*89.1%*	*-*	*-*	*-*
		Total value	£280m	£453m	£623m	£796m	£922m	£1,105m
		Value cleared	99.9%	99.9%	99.9%	99.9%	99.9%	98.0%
		(position at Sept 15)	*83.4%*	*87.2%*	*96.1%*	*-*	*-*	*-*
		(of the uncleared items in December, 1.9% of value were dated 31/12/15)						
		Payments (Dr)						
		Total Items	353	716	1,144	1,353	1,548	1,749
		Items cleared	93.8%	93.6%	94.9%	95.0%	94.8%	94.2%
		(position at Sept 15)	*11.6%*	*57.1%*	*74.6%*	*-*	*-*	*-*
		Total value	£275m	£458m	£627m	£806m	£934m	£1,121m
		Value cleared	83.2%	89.9%	92.6%	94.2%	95.0%	94.0%
		(position at Sept 15)	*4.5%*	*77.6%*	*88.4%*	*-*	*-*	*-*
		(of the uncleared items in December, 1.9% of value were dated 31/12/15)						
		Banking Volumes						
		Total Items (reconciled weekly)	6,562	10,303	16,119	21,822	27,580	33,577
		Local Banking						
		Total Items	2,609	3,755	6,748	10,134	13,232	16,417
		Cleared	72.3%	69.5%	76.2%	78.8%	79.8%	79.0%
		(position at Sept 15)	*43.1%*	*49.3%*	*67.0%*	*-*	*-*	*-*
		(uncleared Local Banking credits are those awaiting OCC establishments to input details via the portal)						

F8	Tax	VAT returns are completed and submitted within 21 working days of month end	100% 18/08/15	100% 11/09/15	100% 14/10/15	100% 19/11/15	100% 04/12/15	100% 11/01/16

Additional Finance Measures

	Function		July	Aug	Sept	Oct	Nov	Dec
	Invoicing	Invoices Cleared (as at the end of the quarter) – Invoices raised since go-live						
		Total number of invoices (Non ASC) Invoices Cleared *(position at Sept 15)*	1,437 98.7% *94.9%*	626 91.8% *74.8%*	2,546 86.5% *41.7%*	2,024 89.1% -	2,854 74.4% -	2,145 12.0% -
		Total number of invoices (ASC) Invoices Cleared *(position at Sept 15)*	4,409 91.8% *83.5%*	4,452 91.1% *81.4%*	4,528 89.8% *74.1%*	4,669 88.6% -	4,703 84.8% -	4,278 76.8% -
		Note: The total volume of invoices raised in each period, and the percentage of those invoices that were cleared at the end of the quarter (31/12/15). Cleared Invoices are those completely settled. Part-payments are not deemed cleared.						
	Invoicing	Average Age (As at quarter-end 31/12/15)			Calendar Days			
		Non ASC Average Age – Cleared Invoices Average Age – Open Invoices Average Age – All			25.34 55.75 40.94			
		ASC Average Age – Cleared Invoices Average Age – Open Invoices Average Age – All			22.53 89.81 29.83			

Invoicing	Aged Debt Analysis (as at 31/12/15) –							
		Total Invoices	Cleared	Up to 30	30 to 60	60 to 90	90+
	Non ASC	£89,463,006	£80,491,894	£7,369,927	£707,417	£554,466	£339,301
	ASC	£16,527,084	£12,761,444	£738,401	£824,274	£683,065	£1,517,898
Function			**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Banking	Average time to apply unallocated cash (Days)		17.02	6.74	2.95	3.44	2.92	3.19

Operational Finance

Function	Performance indicator	July		August		September		October		November		December	
		Count of Activity	% Complete Within 5 Working Days	Count of Activity	% Complete Within 5 Working Days	Count of Activity	% Complete Within 5 Working Days	Count of Activity	% Complete Within 5 Working Days or agreed due date*	Count of Activity	Complete Within 5 Working Days or agreed due date*	Count of Activity	% Complete Within 5 Working Days or agreed due date*
BPC master data changes	Create Cost centre	1	100.0%	6	100.0%	9	77.8%	13	100.0%	3	100.0%	1	100.0%
	Amend Cost centre	0	N/A	5	100.0%	2	100.0%	12	100.0%	14	100.0%	34	100.0%
	Amend performer / reviewer (incl. substitutes)	21	100.0%	99	100.0%	76	98.7%	37	100.0%	78	100.0%	58	100.0%
	Amend WBS code	0	N/A	17	100.0%	4	100.0%	0	N/A	0	N/A	20	100.0%
	Set up / amend approver	0	N/A	1	100.0%	1	100.0%	1	100.0%	3	100.0%	2	100.0%
	BPC security changes (new users / change to users security)	9	11.1%	15	66.7%	37	97.3%	8	100.0%	10	100.0%	9	100.0%
Other support	Change to Cost Centre Hierarchy	2	50.0%	3	100.0%	2	100.0%	0	N/A	2	100.0%	8	100.0%

activity	Virements	19	63.2%	18	100.0%	20	100.0%	24	100.0%	30	100.0%	17	100.0%
	Bulk journal uploads	0	N/A	0	N/A	3	100.0%	0	N/A	0	N/A	0	N/A
	Other requests sent by email	2	100.0%	6	100.0%	7	100.0%	7	100.0%	2	100.0%	1	100.0%
Total		54	70.7%	170	96.3%	161	97.4%	102	100.0%	142	100.0%	150	100.0%

*Certain data changes can only be made after the budget monitoring cycle is complete and must be held beyond the 5 working day deadline in order to preserve the integrity of the current cycle. It has therefore been mutually agreed to class a request as complete if it is processed before the next budget monitoring cycle.

Hire to Retire

Ref	Function	Performance Indicator	July	Aug	Sept	Oct	Nov	Dec
HR1	Recruitment	Cycle time from 'Recruit to Vacancy' to 'Firm Offer' < 50 days	N/A	100.0%	87.5%	62.5%	33.3%	37.8%
HR2	Recruitment	Statutory checks completed prior to start date	This data is not captured/available					
HR3	DBS	DBS checks completed on-line (eBulk) Applications Initiated Directorates Schools Applications Countersigned by IBC Directorates Schools	 40 95 17 40	 216 40 108 55	 264 489 147 289	 279 364 203 382	 273 378 215 355	 205 186 187 200
HR4	Pay	Payroll payments Errors on final run Volume	13,441 0.00% 0	12,641 0.04% 5	12,628 0.06% 8	12,703 0.04% 5	12,664 0.10% 13	12,582 0.15% 19
HR5	Pay	Over payments Volume	0.04% 5	0.00% 0	0.08% 10	0.54% 69	0.27% 34	0.24% 30
HR6	Pay	Pay records where an action is made to a previous month after payroll has run Directorates Schools	0.0% 1 0.1% 1 0.0% 0	26.1% 307 37.2% 152 20.2% 155	17.7% 606 27.0% 142 16.0% 464	57.2% 1326 46.6% 314 61.6% 1012	45.3% 688 34.1% 126 48.9% 562	45.4% 542 26.3% 103 54.8% 439
HR7	Pay	Total number of transactions: HR and pay transactions completed on-line through self service:	17,667 83.4% 14,741	15,112 74.6% 11,271	15,813 75.8% 11,979	15,797 73.6% 11,629	13,870 83.9% 11,635	13,592 84.3% 11,457

		Directorates - total number of transactions	8,476	13,319	10,903	11,472	10,469	10,376
		- number through self service	7,260	10,669	9,270	9,549	9,504	9,238
		- directorate % self service	85.7%	80.3%	85.0%	83.2%	90.8%	89.0%
		Schools - total number of transactions	9,191	1,793	4,910	4,325	3,401	3,216
		- number through self service	7,481	572	2,709	2,080	2,131	2,219
		- schools % self service	81.4%	31.9%	55.2%	48.1%	62.7%	69.0%
HR8	Expenses	Total number of claims	4,046	1,726	1,726	2,051	2,136	2,209
		Travel and expense claims completed on-line through self service	4,024	1,709	1,710	2,034	2,120	2,188
			99.5%	99.0%	99.1%	99.2%	99.3%	99.0%
		Directorates - total number of claims	3,632	1,634	1,484	1,772	1,857	1,888
		- number through self service	3,627	1,619	1,472	1,759	1,848	1,875
		- % directorates self service	99.9%	99.1%	99.2%	99.3%	99.5%	99.3%
		Schools - total number of claims	414	92	242	279	279	321
		- number through self service	397	90	238	275	272	313
		- % schools self service	95.9%	97.8%	98.3%	98.6%	97.5%	97.5%

Additional Hire to Retire Measures

DBS		Average time taken (calendar days)						
		Overall	22.7	25.2	21.5	17.9	23.3	29.8
		Applicant	3.6	3.4	3.1	3.3	4.4	4.9
		Organisation (from receipt to countersignature)	8.0	8.4	10.4	6.9	8.6	9.0
		DBS	11.1	13.3	7.9	7.7	10.3	14.3
	Recruitment	Number of vacancies created	111	211	182	184	175	166

Master Data

Ref	Function	Performance Indicator	Jul	Aug	Sep	Oct	Nov	Dec
MDM1	Customer	New customer requests processed within 5 working days	Data previously unavailable – development introduced for data capture from December 2015					100.0%
		Volume (Completed within 5 days)						324
MDM2	Supplier	New supplier requests processed within 5 working days	94.1%	93.3%	95.7%	94.8%	96.3%	98.7%
		Volume (Completed within 5 days)	486	469	729	581	368	464

Appendix 2 – Open Change Requests

Ref	Title	Business Owner	Status
OCC-CR-102	**Balance Sheet push report**	**Alison Chard**	**Deployed**
IBC-CR-783	**IBC-CR-783 - BPC Audit Report**	**Alison Chard**	**resource allocation being reassessed following additional requirement**
IBC-CR-810	**IBC-CR-810 OCC Corp Fin Staffing Cost Report access**	**Alison Chard**	**Deployed**
IBC-CR-689	**Change cost centre eForm does not highlight changes required**	**Alison Chard**	**Deployed**
OCC-CR-89 / 947	**OCC-CR-89-New Fixed Assets LSMWs**	**Alison Chard**	**LSMW's deployed security roles and access being updated**
IBC-CR-826	**IBC-CR-826 Change to BPC forecast email**	**Alison Chard**	**Testing in progress**
IBC-CR-827	**IBC CR 827 Template - FMR annexes**	**Alison Chard**	**On hold**
IBC-CR-828	**IBC CR 828 - BPC formatting changes**	**Alison Chard**	**Scheduled for next available transport to production**
IBC-CR-924	**IBC-CR-924 - BPC last saved user details**	**Alison Chard**	**Deployed**
IBC-CR-922	**IBC-CR-922 Capital previous year actuals**	**Alison Chard**	**Deployed**
IBC-CR-921	**IBC-CR-921 Capital BPC Subtotals**	**Alison Chard**	**Currently in UAT**
IBC-CR-676	**IBC-CR-676 - MDT access to LSWM transaction as part of DD process**	**Andrea Davies**	**Deployed**
OCC-CR-95	**OCC-CR-95 - Social Care and Property Statement Design Changes**	**Bruce Martin**	**Low priority CR written**

OCC-CR-83	**OCC-CR-83 Extend Additional Text Character Length in Customer Invoices Interfaces**	**Bruce Martin**	**Deployed**
OCC-CR-96 / 55	**OCC-CR-96 - Searchable source system ID**	**Bruce Martin**	**Deployed**
OCC-CR-100	**Changes to the PI Interfaces IBC-PI-05B and IBC-PI-05C to make them generic for all social care and non-social care**	**Bruce Martin**	**Deployed**
OCC-CR-97	**OCC-CR-97 - Changes to ASC Invoice Design**	**Bruce Martin**	**Consider for future development across all customer groups**
OCC-CR-98	**OCC-CR-98 - Invoice Direct debit advance notice**	**Bruce Martin**	**Consider for future development across all customer groups**
IBC-CR-748	**OCC require a separate dunning letter for care clients**	**Bruce Martin**	**Deployed**
OCC-CR-94	**OCC-CR-94 ASC Income Team (OCC OTC) SAP profile change required**	**Bruce Martin**	**Closed/resolved**
OCC-CR-99	**OCC-CR-99 Flexi Time Managers Portal Report**	**Dan Savickas**	**Deployed**
OCC-CR-85	**IBC-OCC-CR85 - New Contract Type for Schools Community Focused Staff**	**Dan Savickas**	**Deployed**
IBC-CR-762	**IBC-CR-762 - OCC central address not showing correctly in eStore views**	**Dan Savickas**	**Deployed**
IBC-CR-707	**DEAL court order subtype required**	**Dan Savickas**	**Solution being finalised**
IBC-CR-736	**Removal of SCP5**	**Dan Savickas**	**Work around in place – new forms in development will negate need for CR**
IBC-CR-915	**IBC-CR-915 - removal of holiday pay from Wage type 3774**	**Dan Savickas**	**Deployed**
OCC-CR-29/ 717	**eLearning training histories**	**Jenny Lewis**	**Deployed**

IBC-CR-916	IBC-CR-916 - Transfer Dom Care staff to Contractual Monthly pay	Sharon West	Deployed
OCC-CR-101	Default Payment terms from company code details	Steve Cuzner	Deployed
IBC-CR-930	IBC-CR-930 Oxfordshire Pension Fund invoice text	Viv Broadway	Consider for future development across all customer groups
IBC-CR-701	IBC CR 701 - Hantsfile upload access for County HR	Dan Savickas	Design changes to accommodate additional requirements, in development
IBC-CR-900	IBC CR 900 - 6 month increment for new starters	Dan Savickas	With IT for resource estimate
IBC-CR-898	IBC CR 898 - additional 40 hr week work schedule for Public Health staff	Dan Savickas	Closed - no longer needed, workaround in place for small staff nos.
IBC-CR-899	IBC CR 899 - additional FRS grey book casual post	Paul Bonaer	Positions have been created and revised CR being prepared
IBC-CR-897	IBC CR 897 - additional mileage type for Dom Care staff	Dan Savickas	Deployed
IBC-CR-896	IBC CR 896 - Change of Leave options available in ESS	Dan Savickas	Resource estimate needed
IBC-CR-901/1007	IBC CR 901 - Change of Reporting requirements for County HR	Dan Savickas	Deployed (as Bug No 1007)
IBC-CR-915	IBC CR 915 - removal of holiday pay from Wage type 3774	Dan Savickas	Deployed
IBC-CR-852	IBC CR 852 - V00099 - Not to be used for payments	Dan Savickas	Delayed pending further investigation
IBC-CR-946	OCC-CR 946 - Create additional wage types registration v2	Dan Savickas	Awaiting approval
IBC-CR-974	Portal incorrectly allows users to reverse GR that has been assigned to an	Bruce Martin	Deployed

	invoice		
IBC-CR-996	**Request employee change form - Honorarium amount**	**Sharon West**	**CR prepared - awaiting resource estimate**
IBC-CR-1003	**IBC-CR-1003 SAP back-office role for OCC Corporate Procurement**	Bruce Martin	**In UAT**
IBC-CR-1004	**CR 1004 Process required to close PO**	**Bruce Martin**	**CR prepared and approved**
IBC-CR-1040	**OCC Fire Officer Pension Interface - Providing monthly information to the OCC Pension Fund**	**Dan Savickas**	**Testing in process**
IBC-CR-658	**IBC-CR-658 - PAE letters are being produced with the incorrect scheme detailed on them**	**Dan Savickas**	**Testing in process – deployment panned for 13/14 February**

Appendix 3 – Update on recommendations

Good progress has been made on all recommendations.

Recommendation	Responsible Officer	Progress
Schools Guidance / Engagement During the remaining period of stabilisation OCC will need to determine the additional support, communication and guidance schools may require during this transition to a new operating model.	SH	The Transition Team was kept in place until 31 December 2015 and further Building Confidence sessions were delivered, with excellent take up and feedback.
Benefits Realisation: This will be captured through data from the Customer Interaction Centre by the end of month 6, as well as OCC's evaluation of anticipated strategic benefits including the achievement of significant recurring cost savings and the non-financial strategic benefits detailed in Section 2.	RF	The financial benefits proposed from the partnership arrangement in the Medium-Term Financial Plan will remain on track if OCC's cost share of the IBC does not increase. The strategic non-financial benefits including building resilience and skills, enabling front-line transformation and implementation of best practice process are currently measured in a quantitative way only. The metrics utilised are volume-based and do not consider the quality of service delivery and/or the customer experience.
Cessation of car leases will need to be planned during the remaining stabilisation period. OCC will also need to develop an approach to increase self service expense claims by the end of the remaining stabilisation period.	RW / SC	Richard White (Head of the Integrated Business Centre) had identified the current level of activity and will be working with Sarah Currell to devise an acceptable approach to cessation or developing a statement of requirement for further discussion.
Expenses Compliance OCC will need to consider the optimum time to deploy this process. It should be noted that when the process is implemented it will sample all expense transactions from implementation creating a peak in workload and time pressure to complete the verification process.	AD / SC	An initial expenses compliance run highlighted that the OCC format excluded certain necessary fields. Subsequent communications to selected staff informed them to treat the initial compliance process as a test. Technical issues have been resolved. Testing has completed and the compliance process will be re-scheduled in consultation with OCC.
Change Requests All remaining agreed change requests and defects will need to be addressed during the remaining stabilisation period, ensuring appropriate resource and focus is available to test and deploy approved changes.	GW	Of 30 change requests recorded: • 17 are deployed • 7 are in progress • 6 have been placed on hold or held for potential future development. A further 16 CR's have been raised subsequent to the 3 month gateway review
Petty Cash Account Reconciliation OCC will need to consider what other change and support is required to ensure the new operating model is fully	A D'A	The OCC Treasury Management and Banking team have been in contact with account holders regarding overdrawn balances. In addition following the resolution

embedded and optimised with the correct business behaviours by the end of the stabilisation period.		of user access and improved knowledge and support through "Bite-size" imprest account training during November this is now improving although continued work is required to ensure the remaining 17% of accounts are addressed

Oxfordshire County Council

Year ending 31 March 2016

Audit Plan

24 February 2016

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Oxfordshire County Council
County Hall
New Road
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24 February 2016

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

We welcome the opportunity to discuss this plan with you 24 February 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King
Executive Director
For and behalf of Ernst & Young LLP
Enc

Contents

1. Overview

Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

► Our audit opinion on whether the financial statements of Oxfordshire County Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended;

► Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness; Our audit opinion on the regularity of expenditure and income; and

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

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

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; and

► Management's views on all of the above.

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

We will provide an update to the Audit and Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

Our process and strategy

Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

To the fullest extent permissible by auditing standards, we will seek to rely on the work of internal audit wherever possible.

Arrangements for securing economy, efficiency and effectiveness

The National Audit Office has consulted on the audit approach for the Value for Money (VFM) conclusion. The outcome was announced in November 2015, following which we confirm the impact for our audit of the Council with the Audit and Governance Committee and management and set out this impact in our audit plan.

We expect to be able to adopt an integrated audit approach, so our work in the financial statement audit feeds into our conclusion of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section 4 of this Audit Plan.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

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

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue and/or expenditure recognition	
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.	We will ► Review and test revenue and expenditure recognition policies ► Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias ► Develop a testing strategy to test material revenue and expenditure streams ► Review and test revenue and expenditure cut-off at the period end date.
Risk of management override	
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly 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.	Our approach will focus on: ► Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ► Reviewing accounting estimates for evidence of management bias, and ► Evaluating the business rationale for significant unusual transactions.
Not significant risks	
Accounts production and close down	
This will be the first year that the Council will have prepared its financial statements since it joined the Integrated Business Centre (IBC) with Hampshire County Council. There is a risk that procedures may not work as smoothly as they have done in the past as Council staff gets used to working with the IBC.	Our approach will focus on ► Reviewing financial transactions between the IBC and the Council ► Testing transactions to ensure that they are processed and recorded accurately and on a timely basis. ► Reviewing the financial statements to ensure that transactions are accurately disclosed in accordance with CIPFA accounting guidance.
Expenditure testing	
The Council contracts with third party suppliers for the provision of services. Within Adult Social Care. A new financial system has been implemented part way through the	Our approach will focus on ► Testing transactions in both systems to ensure that payments are accurately

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year. There is a risk due to the change in systems that the systems may not have been working as intended.

made and recorded.

► Reviewing the transfer of data from one the old to the new system reviewing the work completed in house

► Reviewing data transfers for the Adult Social Care systems to the IBC to ensure that they are accurate.

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 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;

► Enquiry of management about risks of fraud and the controls 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 any identified risks of fraud, and

► Performing mandatory procedures regardless of specifically identified risks.

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3. Economy, efficiency and effectiveness

The Local Audit and Accountability Act 2014 provided the Comptroller and Auditor General with the power to issue guidance to auditors which may explain or supplement the provisions of the Code of Audit Practice. The 2014 Act requires auditors to comply with any such guidance issued.

The National Audit Office consulted in 2015 on a draft guidance note regarding auditors' work in respect of their Value for Money conclusion. The consultation closed on 30 September and the final guidance was issued in November 2015 and will apply to audits from 2015/16 onwards.

The guidance seeks to:

► Build on the existing guidance, issued by the Audit Commission, evolving the approach to reflect changing circumstances for public sector organisations and the new 2015 Code of Audit Practice;

► Update the definition of 'proper arrangements' against which auditors make their judgements and better align the criteria with to the arrangements on which audited bodies are required to report;

► Remain focussed on a risk based approach whilst strengthening guidance in relation to the identification of significant risks to the VFM conclusion and the work required to address them;

► Set out more fully the range of reporting options available to auditors and set out the reporting expectations at key stages during the audit;

► Clarify the options available to auditors when issuing their statutory conclusion, where required, and how auditors might approach making judgments on whether to qualify their conclusions; and

► Maintain an element of sector specific information, helping auditors understand better the key developments and risks in the relevant sectors.

We have considered the guidance in the context of our knowledge and understanding of the Council's circumstances and the risks that it faces. We have identified the following significant risk.

Significant risks	Our audit approach
Delivering financial resilience	
The Council is facing a challenging financial position and is reporting an overspend in Children's Services and is having to plan for significant cuts in spending in future years. The local government funding settlement announced by the Government in December 2015 included a significant reduction in the Council's Revenue Support Grant, and means that the Council will need to make further savings in addition to those already planned. The timing of the announcement means that the Council will revisit its 2016/17 Budget and Medium Term Financial Plan in order to set a balanced budget. The Council are proposing a balanced budget for 2016/17 but the years beyond will need to be revisited.	Our approach will focus on: ► Review of the 2015/16 outturn position against budget ► Assessing the robustness of processes for identifying and implementing savings ► Review 2016/17 budgets and updated Medium Term Financial Plan.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

► Financial statements

► Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

i Financial statement audit and regularity audit

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

We report to you by exception in respect of your governance statement, and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

► Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require;

ii Arrangements for securing economy, efficiency and effectiveness

As previously noted, the specific requirements for our Value for Money audit were confirmed in November 2015.

4.2 Audit process overview

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

► Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests

► 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

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

Use of experts

We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements.

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Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in section three, we must 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.

Procedures required by standards

► 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 Governance Statement.

► Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

► Satisfying ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.3 Materiality

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

We have determined the proposed overall materiality for the financial statement of the Council is £10,566,260 based on 1% of gross expenditure. We will communicate uncorrected audit misstatements greater than £528,315 to you.

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 the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.4 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Oxfordshire County Council is £109,958.

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4.5 Your audit team

The engagement team is led by Paul King who has significant experience of auditing local government clients. They are supported by Alan Witty as senior manager who is responsible for the day-to-day direction of audit work and is the key point of contact for the Corporate Finance Business Partner.

4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit and Governance Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit and Governance Committee timetable	Deliverables
High level planning	April 2015	April 2015	Audit Fee letter
Risk assessment and setting of scopes	January 2016	February 2016	Audit Plan
Testing routine processes and controls	February-March 2016	April 2016	Progress Report
Update risk assessment	July 2016	July 2016	Progress Report
Year-end audit	July-August 2016		
Completion of audit	August 2016	September 2016	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; [our opinion on the regularity of your expenditure and income]; and, [by exception] overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	By 31 October 2016	November 2016	Annual Audit Letter

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 on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during 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
► The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence.	► 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; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that we are independent; ► Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Engagement and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ► An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, 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 contracted services, and details of any written proposal to provide non-audit services;

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 are disclosed and analysed in appropriate categories.

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 any principal threats. However we have adopted the safeguards 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 the Council.

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 the Council has 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 the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

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

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review 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 where management is required to make judgements or decisions based on that work.

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

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 adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Paul King and the audit engagement directors 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 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 June 2015 and can be found here:

http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015

Appendix A   Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	£109,958	£109,958	£161,756	The outturn fee for 2014/15 contains additional fee of £15,195.
Total Audit Fee – Code work	**£109,958**	**£109,958**	**£161,756**	
Assurance report Teachers Pension	£0	£0	£10,000	
Non-audit work	0	0	£39,000	See below for details
All fees exclude VAT.				
Non audit work in 2014/15				
Financial analysis for payment mechanism for Ardley E/W Facility			6,000	
High level review of the potential for unitary status			33,000	

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

► Officers meeting the agreed timetable of deliverables;

► The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;

► We can rely on the work of internal audit as planned;

► The NAO making no significant changes to the final value for money guidance 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 Council; and

► The Council has an effective control environment.

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

Appendix B   UK required communications with those charged with governance

There are certain communications that we must provide to the Audit and Governance Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	► Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process	► Report to those charged with governance
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	► Report to those charged with governance
Fraud ► Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	► Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	► Report to those charged with governance
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	► Report to those charged with governance
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This	► Report to those charged with governance

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Required communication	Reference
communication is subject to compliance with legislation on tipping off	EY | 13
► Enquiry of the Audit and Governance 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 and Governance Committee may be aware of.	

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Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director's consideration of independence and objectivity such as: ► The principal threats ► Safeguards adopted and their effectiveness ► An overall assessment of threats and safeguards ► Information about the general policies and process within the firm to maintain objectivity and independence	► Audit Plan ► Report to those charged with governance
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	► Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	► Report to those charged with governance
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	► Audit Plan ► Report to those charged with governance ► Annual Audit Letter if considered necessary
Opening Balances ► Findings and issues regarding the opening balance of initial audits	Report to those charged with governance

Local government audit committee briefing

Contents at a glance

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake.

The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.

EY
Building a better working world

Government and economic news

EY Item Club Autumn Forecast

The latest EY Item Club forecast (Autumn 2015) predicts tougher times for the UK economy as what it describes as the 'consumer sugar rush' begins to fade.

GDP is forecast to grow by 2.5% this year (compared to 2.9% in 2014) and slow further to 2.4% in 2016 and 2.3% the year after. Consumer Price Inflation is expected to remain below target until 2018. Prospects for exports remain poor, and domestic consumption is likely to be affected by rising inflation and tighter fiscal policy from early 2016. Progress is seen to depend upon productivity gains rather than coming from the commodity price falls that are supporting demand this year. Businesses will need to work hard on overseas markets as opposed to relying on consumer-led domestic markets.

The forecast highlights that the last decade has seen a strong increase in the supply of labour which has depressed real wages and, arguably, productivity, but that we are now seeing a more normal recovery. This is characterised by an increase in the demand for labour, which boosts real wages and productivity. Wage inflation is highlighted as being strong. This is expected to be boosted further in April 2016 by the National Living Wage, the effects of which could be very significant for some sectors and regions.

Provided that increased productivity matches wage inflation, the expectation is that the Monetary Policy Committee will keep base rates on hold until next autumn.

For details of the EY Item Club's latest forecast, see http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections

Housing Associations Right to Buy

The Chartered Institute of Public Financial Accountants (CIPFA) has produced a briefing following the Government's announcement in October that it intends to extend its Right to Buy scheme to Housing Associations. The briefing seeks to explore the potential impact of these plans on Local Authorities.

Local authority housing is intended to be self-financing, based on 30 year business plans established in 2012 with the HRA self-financing regime, with Council housing for each council financed from its own rental income. This principle was reflected in the 30 year business plans, but CIPFA suggests that these business plans do not reflect recent changes contained within the budget. These changes include amendments to the rent policies as well as the proposed sale of high value local authority housing stock in order to compensate housing associations for the shortfall in income caused by the new Right to Buy scheme.

According to CIPFA, research has shown properties sold under the existing Right to Buy scheme have in many instances returned to the rental market at a higher level of rent than council levels. They have cited the example of Barking and Dagenham where it is said that 41% of properties purchased under the Right to Buy scheme are now let privately.

CIPFA warns 'Any legislation that leads to a negative impact on the housing business plan models of local authorities could seriously undermine the very basis of self-financing which promised autonomy for local authorities in the delivery of housing in their areas.'

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Government and economic news

However, Communities Secretary Greg Clark said:

"We're determined to ensure that home ownership is seen as a reasonable aspiration for working people.

Right to Buy is a key part of this, offering a helping hand to millions of people who would have no hope of buying their own home without it.

Today's historic agreement with housing associations and the National Housing Federation will extend that offer even more widely, whilst at the same time delivering thousands of new affordable homes across the country."

The Government agreement with housing associations and the National Housing Federation will see housing association tenants able to buy their homes from 2016.

CIPFA's briefing document can be downloaded from http://www.cipfa.org/cipfa-thinks/briefings, and further information from the government is available at https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants

Consultation: improving efficiency on Council Tax Collection

Council tax collection rates have been relatively high in recent years: 97% across England in both 2014/15 and 2013/14. However, the Government is looking at ways to enable local authorities to further improve collection rates.

To this end, the Government has issued a consultation on its proposals to improve the collection and enforcement process for council tax. The government's stated intention is to help local authorities to keep council tax rates low, and so the proposals are aimed at ensuring that everyone contributes fairly.

The consultation follows a trial by Manchester City Council, Salford City Council, HMRC and the Cabinet office under the 'Better Business Compliance Cabinet programme', and reflects consideration of the findings from this trial.

An example of this is the Government's proposal to extend the data-sharing gateway which currently exists between HMRC and local authorities. This would enable HMRC to share employment information with councils where council tax debtors have not voluntarily shared the information within 14 days of receiving a liability order. Manchester estimates, based on its pilot with HMRC, that this would recover £2.5mn of debt in its area alone.

The consultation also asks for other suggestions to improve council tax collection.

Responses are requested by 18 November 2015.

For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf

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Government and economic news

Local Plans for New Homes

In October, the Government announced that councils will be required to produce local plans for new homes by 2017. Where councils fail to do so, the Government will consult with local people to ensure that plans are produced for them.
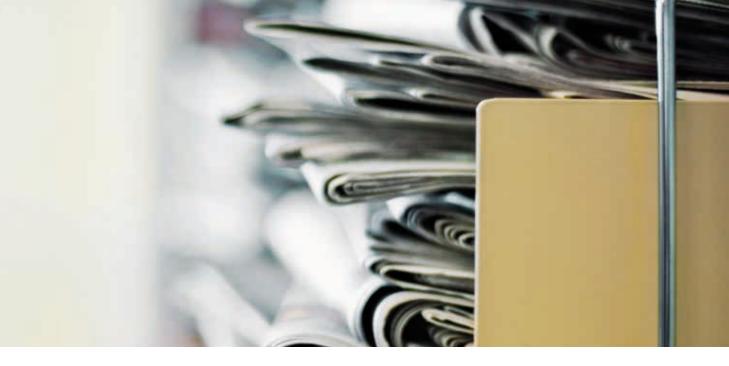
In 2012, the National Planning Policy Framework was introduced to provide guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. This framework reinforced the role of local plans. It required the plans to include an annual trajectory over a period of around 15 years of how many homes they plan to build in their area, and it required local authorities to review this plan approximately every 5 years. Councils were also encouraged to give local people more say on where new developments would be located and what they would look like.

The Government have said that the response to this has been mixed:

► 82% of councils have published local plans which state how many homes they intend to build over a given period

► 65% have fully adopted these plans

► Nearly 20% of councils do not have an up to date plan

If councils fail to produce and bring into force an up to date plan for new homes by 2017, the Government intends to work with local people to ensure one is created.

Read the government press release at https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017

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Accounting, auditing and governance

Proposals for further emergency services collaboration announced

The Government has launched a consultation which is looking into how the three core emergency services of Police, Fire and Rescue and the Ambulance service could potentially work together in a more efficient and effective manner. Key features of the consultation include:

► Enabling Police and Crime Commissioners (PCCs) to take on the duties and responsibilities of Fire and Rescue Authorities where a local case was made for this to happen

► Where a case is made by a local PCC to take on such a role, there would also be the possibility for them to take on the role of a single employer and in doing so enable the sharing of back office support functions

► Improving joint working between PCCs and local NHS Ambulance Foundation Trusts by encouraging them to allow PCCs to sit on their Council of Governors

The Government also intends to introduce a new statutory duty for the three emergency services to collaborate with one another; and sees this as not being a burden, but is about seeking efficiencies.

However, a key legal distinction would remain under the new proposals, in that a member of a police force will not be permitted under law to become a firefighter, and firefighters will not be given the power of arrest. In order to maintain transparency for local taxpayers, funding from central government will remain separate for police and fire organisations, as will council tax precepts.

https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

Cloud computing allows users to rent access to a variety of virtual computing options, conveniently, ranging from network-accessible data storage and software development environments to fully featured applications. As such, the data and applications are not required to be stored on local servers or 'on-premise'; rather, they are hosted and managed by third-party cloud service providers (CSPs).

Enterprises essentially outsource varying levels of IT functionality to CSPs, and users only need an internet connection to access the data and applications via virtual servers. By moving into the cloud, organisations have the potential to reduce greatly, or even eliminate, the total cost of ownership (TCO) of the IT function, thereby forever altering their business model.

The benefits of cloud adoption are highly touted. However, over a decade ago, on-premise enterprise resource planning (ERP) solutions made similar promises. Although the trigger for rushed ERP implementations in the 1990s was the much-fretted Year 2000 (or Y2K) calamity, Y2K concerns turned out to be largely unfounded, and many finance executives would now argue that they have yet to reap genuine, tangible benefits from investing in costly ERP systems.

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Accounting, auditing and governance

Although a company's financial management system is critical to success, EY is finding that many organisations have systems averaging from 10 to 15 years old, with upgrade cycles ranging from 5 to 10 years. Despite aging legacy systems, many finance decision-makers are hazy on how cloud solutions are really any different from the ERP solutions hyped in the previous decade.

Organisations that truly understand cloud technology, as well as the associated challenges and risks, are better placed to manage the impact of cloud computing on the finance function. Moreover, they must engage an agile innovation strategy focused on deploying the right operating model in order to realize fully the benefits of cloud computing.

In EY's experience, organisations that fail to make a robust cloud risk assessment often need to make subsequent, costly changes to the cloud model, thereby negating any savings gained from cloud migration. EY recommends that organisations develop a clear, attainable cloud strategy, including an appropriate operating model accompanied with a cloud risk management approach to mitigate risks and avoid a premature move to the cloud.

EY has a proven framework for cloud models, along with risk assessments and broad-based diagnostics to evaluate and optimise a cloud strategy that enables minimal disruption whilst accelerating an organisation's evolution. For more information on this, please talk to a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

The NAO have recently released a consultation document (http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf) a consultation document for auditors on their review of arrangements to secure economy, efficiency and effectiveness in their use of resources. This is also referred to the as three E's or the Value for Money (VfM) conclusion. The guidance covers the VfM work for 2015/16.

Based on the responses received to a similar consultation in 2014 the new draft guidance seeks to:

► Take forward existing guidance and reflect changing circumstance for public sector organisations such as finding savings and maintain financial stability over the medium and long term

► Update the definition of 'proper arrangements'

► Strengthen guidance on the identification and work around significant risks whilst maintaining a risk based approach

► Update and clarify the range of reporting opinions available to auditors and expectations at key stages of the audit

► Maintain sector specific guidance that will sit outside of the statutory guidance but can provide up-to-date information on sector specific risks

The consultation closed on 30 September and the NAO will communicate a summary of the responses once they have reviewed then. Further information can be found at https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/.

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Regulation news

Consultation on 2016/17 proposed fee scales

Public Sector Audit Appointments (PSAA) is currently consulting on both the work programme and scale of fees for 2016/17 audits. The consultation describes the work that auditors will undertake at principal audited bodies for 2016/17 and their associated scales of fees.

There are no planned changes to the overall work programme for 2016/17 and their proposal is to set scale audit fees at the same level as the scale fees for 2015/16 which already reflect a reduction of 25% in addition to the reduction of up to 40% made from 2012/13.

A change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work at some authorities. As the amount will differ between authorities, the fee variation process will apply in 2016/17 for this additional work.

The consultation closes on Friday 15th January 2016, and the final work programme will be published following this in March 2016.

For details of the consultation, please refer to the PSAA website at http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/

NAO Case Study: managing reductions in local authority government funding

The National Audit Office (NAO) has made available more than 30 case studies which give examples of how organisations have used their recommendations or analysis to support the achievement of financial savings.

One of these case studies follows the production of its 2014 report 'Financial Sustainability of Local Services'

The NAO case study states that following their report, the Department for Communities and Local Government (DCLG) has acknowledged that its processes for estimating local authority spending requirements and assessment the potential impacts of spending reductions need to be improved.

They also note use of their report in the sector, citing the following examples:

► Leeds City Council and Birmingham City Council have drawn on the work in their debates with central government over devolution

► Wolverhampton City Council and Oldham Council have used the work to inform discussion and decision-making in cabinet meetings and audit and scrutiny meetings

► The Local Government Association and treasurers' societies have used the analysis from the report to inform their thinking

Find out more about the impact made by NAO reports in their interactive pdf at https://www.nao.org.uk/wp-content/uploads/2015/10/Impacts-case-studies-2014.pdf

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Key questions for the audit committee

What questions should the Audit Committee ask itself?

Have we considered the impact of the extension of Right to Buy and reflected our consideration in our Medium Term financial plans and/or Local Plan?

How successful are we in systematically improving our collection rates for Council Tax? Is there best practice that we could share via the Government's consultation?

What is our mid to long term IT strategy? Are we considering cloud-based IT and if so how robust are our risk assessments supporting the shift?

Have we formulated a response to the PSAA consultation on the work programme and scale of fees for 2016/17?

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Find out more

EY Item Club Autumn Forecast

For details of the EY Item Club's latest forecast, see http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections

Housing Associations Right to Buy

For further information, please see the government press release at https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants and access the CIPFA report at http://www.cipfa.org/cipfa-thinks/briefings

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Local Plans for New Homes

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Value for Money Conclusion guidance

Further information can be found at https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/, and a copy of the NAO's consultation document is available at http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf

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AUDIT and GOVERNANCE COMMITTEE – 24 FEBRUARY 2016

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on Thursday 4 February 2016

The meeting was attended by:
Chairman Dr Geoff Jones; Cllr Sandy Lovatt; Cllr Roz Smith; Cllr Jenny Hannaby; Ian Dyson, Chief Internal Auditor; Nick Graham, Chief Legal Officer and Monitoring Officer; Joseph Turner (minutes).

Part Meeting:
AWG 14:42 Neil Shovell, Audit Manager; AWG 15:43 and 15.44 Sarah Cox, Audit Manager and Tessa Clayton, Principal Auditor; AWG 15.44, Mark Kemp, Deputy Director Commercial.

Apologies:
Cllr David Wilmshurst; Cllr Nick Hards; Lorna Baxter

Matters to Report:

AWG 15.42 Corporate Risk Register

The Corporate Risk Register has been reviewed and refreshed by CCMT, and agreed by the Delivery Board. The Group reviewed the register and was informed on the process for monitoring the risks and the target risk scores for reducing risks to the tolerated level. In reviewing the risks and the risk scores, the Group challenged whether the risk relating to Adult Social Care needs, reportedly at a level to be tolerated, is correct, and has asked for further information that supports the CCMT assessment. The Group also noted that the register presented was produced in December 2015, and therefore queried whether the risk of "helping people to help themselves" currently at the target risk score, would be impacted by the Councils budget to be agreed in February. The Group agreed to receive an update as part of the next quarterly risk management report.

AWG 15.43 Internal Audit Update

The Group received an update from the Chief Internal Auditor. The outcome of the audit of Highways was considered under agenda item AWG 15.44. There were no material issues identified in the report. The action tracking process appears to be operating well, with high levels of implementation. The update on fraud activity confirmed a number of small scale fraud investigations are on-going and that where appropriate Police are involved underpinning a zero tolerance approach.

AWG 15.44 Highways Contract Payments Audit

The findings from the recently concluded audit of the Highways contract, which focussed on the payments process, were presented to the Group. The overall opinion from Internal Audit was "Amber"; however in relation to accuracy and timeliness of payments it was "Red". The Deputy Director attended the AWG and was able to provide an update on the management action that is being taken to address this issue. The Group was told that Skanska are currently developing a new

system to replace their "Inform" software. This is being managed as 'Project Waterfall', and OCC management have been clear that the new system must resolve cost accuracy issues and both Skanska and OCC are working closely together to address this.

Whilst the Group was in part reassured by the management actions being led by the Deputy Director; it was concerned at the findings in the audit that reconciliations between payments made to Skanska against the amount invoiced are no longer undertaken and that at Task Order closedown, the amount already paid as quoted by Skanska can no longer be accurately checked. This is also due to the Contracts team no longer having access to back-end SAP. The Group noted that was an issue arising from the transfer of finance services to the Hampshire IBC, and although not related to the IBC system was an unresolved issue arising Business Readiness project. It was acknowledged that management are revising their control procedures to ensure checks over highways payments can be completed going forwards; however, the Group was very concerned at this consequence of the business readiness and has requested more information regarding where else this could have impacted in the organisation. The Chief Internal Auditor confirmed there are several audits on going which are covering the key financial systems that should pick up these issues, and will be reported back to the AWG and Committee during April and May.

The date of the next meeting is Thursday 7 April 2016, 2:00-4:00.

The Committee is recommended to note the report.

LORNA BAXTER
Chief Finance Officer

Contact: Officer: Ian Dyson, Chief Internal Auditor Tel 01865 323875
                      ian.dyson@oxfordshire.gov.uk

AUDIT & GOVERNANCE COMMITTEE – 13 JANUARY 2016
WORK PROGRAMME - 2016

2016

13 January 2016
Treasury Management Strategy (Lewis Gosling)
Internal Audit Plan Update and Progress Report (Ian Dyson)
Report from the Councillor Profile Working Group (Andrea Newman)

24 February 2016
SCS LEAN and IT system update (Kate Terroni)
Audit Committee Annual Report to Council 2015
Update on Hampshire Partnership (Lorna Baxter)
Ernst & Young Audit Plans and Sector Briefing (Alan Witty)

20 April 2016
Internal Audit Services – Internal Audit Strategy & Annual Plan (Ian Dyson)
Review of Effectiveness of Internal Audit (Nick Graham)
External Auditors Progress Report (EY)
External Auditors Grant Claim Report (EY)

13 July 2016
Annual Governance Statement - 2014/15
Annual Report of the Monitoring Officer (Nick Graham)
Annual Report of the Chief Internal Auditor (Ian Dyson)
Statement of Accounts 2015/16 (Lorna Baxter)
Treasury Management Outturn 2015/16
Fire & Rescue Service Statement of Assurance 2015/16
Progress Report – EY
Update on Hampshire Partnership (Lorna Baxter)

14 September 2016
Final Accounts 2015/16 (Lorna Baxter)
Local Government Ombudsman's Review of Oxfordshire County Council (Nick Graham)
Annual Results – EY
Internal Audit Plan – Progress Report (Ian Dyson)
RIPA (Richard Webb)

9 November 2016
Annual Letter (EY)
Treasury Management Mid Term Review (Lewis Gosling)

Standing Items:

- Audit Working Group reports
  (Ian Dyson)

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

- Future of Adult Social Care in Oxfordshire – Regular Progress update on Implementation Plan (**Quarterly**)

Other matters:

Risk Management Strategy
Risk Management Annual Report (Ian Dyson)
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,
Partnerships – Progress Report