



To: **Members of the Audit & Governance Committee**

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

**Wednesday, 8 March 2017 at 2.00 pm**

**Rooms 1&2 - County Hall, New Road, Oxford OX1 1ND**

A handwritten signature in black ink that reads "PG Clark".

Peter G. Clark  
Chief Executive

February 2017

*Committee Officer:* Colm Ó Caomhánaigh, Tel 07393 001096; E-mail:  
[colm.ocaomhanaigh@oxfordshire.gov.uk](mailto:colm.ocaomhanaigh@oxfordshire.gov.uk)

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**Membership**

Chairman – Councillor Sandy Lovatt  
Deputy Chairman - Councillor David Wilmshurst

*Councillors*

David Bartholomew  
Yvonne Constance OBE  
Tim Hallchurch MBE

Nick Hards  
Alison Rooke  
Roz Smith

John Tanner

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*Co-optee*

Dr Geoff Jones

**Notes:**

- ***There will be a pre-meeting briefing at County Hall on Thursday 2 March 2017 at 2pm in the Members' Boardroom for the Chairman, Deputy Chairman and Opposition Group Spokesman.***
- ***Date of next meeting: 26 April 2017***

## 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 **07776 997946** or [glenn.watson@oxfordshire.gov.uk](mailto: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 - 6)

To approve the minutes of the meeting held on 11 January 2017 (**AG3**) and to receive information arising from them.

## 4. Petitions and Public Address

## 5. Transformation Update

2.10pm

Presentation by Lorna Baxter, Director of Finance.

## 6. Update on Finance Improvement Plan (Pages 7 - 12)

2.40pm

Report by the Director of Finance (**AG6**).

This paper provides an update to the Committee on the actions and priorities for the continuing Finance Improvement activity.

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

## 7. External Auditors (Pages 13 - 30)

3.10pm

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

- Progress Report

A Local Government Audit Committee Briefing is included for information.

**8. Audit Working Group Report (Pages 31 - 32)**

3.30pm

Report by the Director of Finance (**AG8**).

This report presents the matters considered by the Audit Working Group Meeting of 8 February 2017.

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

**9. Work Programme (Pages 33 - 34)**

3.40pm

To review the Committee's Work Programme (**AG9**).

**Close of meeting**

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

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# Agenda Item 3

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 11 January 2017 commencing at 2.00 pm and finishing at 4.40 pm

**Present:**

**Voting Members:** Councillor Sandy Lovatt – in the Chair

Councillor David Wilmshurst (Deputy Chairman)  
Councillor David Bartholomew  
Councillor Yvonne Constance OBE  
Councillor Nick Hards  
Councillor Alison Rooke  
Councillor Roz Smith  
Councillor John Tanner  
Councillor Stewart Lilly (In place of Councillor Tim Hallchurch MBE)

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

**By Invitation:** Alan Witty (Ernst & Young)

**Officers:**

Whole of meeting      Lorna Baxter, Director of Finance  
Ian Dyson, Assistant Chief Finance Officer (Assurance)  
Sarah Cox, Chief Internal Auditor  
Nick Graham, Director of Law & Governance and  
Monitoring Officer  
Colm Ó Caomhánaigh, Committee Secretary

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
7	Donna Ross, Strategic Finance Manager
8	Steve Munn, Director of Human Resources Sarah Currell, HR Manager, IBC Interface
11	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)

Apologies were received from Councillor Tim Hallchurch (Councillor Stewart Lilly substituting).

## **2/16 MINUTES**

(Agenda No. 3)

The minutes of the meeting of 14 December 2016 were approved and signed.

Councillor Constance expressed concern that the discussion on the Senior Management Review (SMR) focussed on titles and there was little discussion of reporting structures. She asked if another session could be considered to cover that issue.

Councillor Bartholomew reiterated that it would have been better if the Committee could have discussed the SMR before it was discussed at Council.

## **3/16 INTERNAL AUDIT 2016/17 PROGRESS REPORT**

(Agenda No. 5)

Ms Cox introduced and summarised the report. She updated Members on the results of a recent check on blue badge use. Out of 592 badges checked, 29 were seized. The most common reasons for misuse were that the badge holder was deceased or not present. Asked if prosecutions would result, Ms Cox said that there will be a meeting to discuss that next week.

In response to questions Ms Cox and Mr Dyson made the following points:

- The 40 spot checks on expenses claims were targeted on those that showed an increase after self-reporting was introduced so the fact that 2 cases were currently under investigation was not necessarily representative of all claims.
- The data check for deceased against pensions and residential home payments uses a national database so out-of-county deaths should be picked up. The check is not only on names but also uses other personal details.
- Environment & Economy Property has been removed from the audit plan because the contract is being reviewed by senior management but it will be done early in the new financial year.
- LAS on pages 16 and 17 stands for Liquidlogic Adult Social Care – the name of the software system.
- Mr Dyson said that he was not aware that there were any incidents as a result of the control weaknesses identified in the content management system.
- The Joint Management Group which governs arrangements between OCC and Oxford Health has resumed meetings since the audit was completed.
- Security assurances have now been received from the suppliers of software for pensions administration.
- Members of the Committee can email Ms Cox if they would like the full reports of completed audits.

**RESOLVED: to note the progress with the 16/17 Internal Audit Plan and 16/17 Counter Fraud Plan and the outcome of the completed audits.**

**4/16 UPDATE ON FINANCIAL CONTROL IMPROVEMENT PLAN**

(Agenda No. 6)

Mr Dyson introduced the report which has been retitled the “Finance Improvement Plan” since its inclusion in the transformation process.

Members raised a number of issues on the report:

- Councillors and others received pay slips in the post in November followed by an email apology. Mr Dyson undertook to find out what happened.
- The performance in debt collection had deteriorated as reporting was late due to anomalies discovered and the team had to be upskilled. A drop in aged debt could now be expected.
- Regarding audit actions the Audit Working Group had agreed to carry out a full review of actions and check priorities.
- The introduction of pre-paid cards to replace cash will reduce risk overall. It will cost £160,000 in year 1 and £120,000 annually after that.
- While the accuracy of pension reports has improved, there are still problems and an independent expert has been appointed by Hampshire who will report at the end of the month.

**RESOLVED: to note the report.**

**5/16 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2017/18**

(Agenda No. 7)

Mrs Ross introduced the report. She emphasised that no new instruments were proposed in the strategy.

Officers responded to points raised by Members:

- Asked if continuing with the same “steady-as-you-go strategy” is appropriate given the changed environment in the last year, Ms Baxter said that the current priorities remained security, then liquidity and then yield.
- On the question as to whether UK banks would be bailed-in when the UK is no longer part of the EU, Mrs Ross said that bail-in legislation was enacted early in the UK and is already part of UK law. Deposits with another EU member state would be subject to bail-in after the UK leaves the EU, although the Council only deals in Sterling.
- While OxLEP may not be able to borrow again at the discounted Public Works Loan Board (PWLB) project rate, it is hoped that this may be replaced with a similar scheme with an infrastructure rate.
- It is not envisaged that the successor to the PWLB will make any significant changes to its lending arrangements from the Council’s point of view. The change will be mostly related to governance of the organisation.

Councillor Smith suggested that the resolution part a) should be amended to “note” the strategy rather than “endorse” it. The Chairman put the resolution as proposed in the report to a vote and it was carried with 7 votes in favour and 2 abstentions.

Part b) of the resolution was agreed.

**RESOLVED to:**

- a) **endorse the Treasury Management Strategy for 2017/18 as outlined in the report;**
- b) **note that due to the early timing of this report, Prudential Indicators i to vi have not been included in Appendix A as they are dependent on updates to the 2017 capital programme. Full indicators will be included when the report is considered by Council in February.**

**6/16 HAMPSHIRE PARTNERSHIP - HR UPDATE**

(Agenda No. 8)

Mr Munn introduced the report updating the Committee since the last report 6 months ago. He stated that improvements had been made to IBC and he was satisfied that Hampshire were listening to our concerns. He acknowledged that Hampshire had difficulties retaining staff in Winchester and had lost some specialist knowledge.

Officers responded to questions from Members as follows:

- Asked to clarify “using root cause across end to end process”, Ms Currell explained that it meant that the review was not confined to the OCC or IBC parts of the process.
- It was agreed that point 5.4 on page 74 should read “January 2017”.
- The Subject Matter Expert referred to in 2.1 on page 72 will be engaged at Hampshire’s expense.
- If a member of staff were to be successful in suing the Council over errors in the system, we would seek to recover costs from Hampshire.
- The switch to IBC had delivered the expected savings. However, the continuing problems were delaying the introduction of other measures that could contribute to savings, for example in Transformation.
- Mr Munn advised that his department will lose key members of staff over the next 12 months.

**RESOLVED: to note the current position and agree that a further update be provided in 6 months once the outcome of the formal Review of OCC Payroll Configuration has been completed, any implications for OCC identified, and required remedial actions fully documented.**

**7/16 EXTERNAL AUDITORS**

(Agenda No. 9)



Mr Witty introduced the plan. In reference to previous discussions on other agenda items, he pointed out that they will be looking at IBC in February and noted that Ernst & Young are also auditors for Hampshire County Council. It was his experience that many authorities are finding it difficult to produce annual statements on pensions.

Asked how his company satisfies itself that the organisation has a culture of ethical behaviour and a strong control environment as referred to in paragraph 2.1, he responded that they attended committee meetings, tested transactions and looked at internal audit reports.

## **8/16 PROGRESS UPDATE ON ANNUAL GOVERNANCE STATEMENT ACTIONS** (Agenda No. 10)

Mr Graham introduced the report which is an annual process which coincides with the accounts. The following points were discussed:

- In relation to repairs and maintenance in schools, Premises Visit Reports go to Carillion as it is their responsibility.
- Councillor Smith stated that the £5,000 allocated to schools for repairs and maintenance is far from enough, especially for schools with listed buildings.
- The Commercial Services Board meets every month.

Mr Watson gave the update for Corporate Security (no. 8). The work had been completed with the introduction of swipe cards and the provision of extra training. Currently the Chief Fire Officer is the lead officer but this is being reviewed as the scope is being broadened to include information security.

Members expressed concerns about security at County Hall, specifically that the ground floor entrance to the office area had been open for a prolonged period and that the council chamber had been vulnerable to unauthorised access when the doors to the cafeteria were open during the summer.

Mr Graham acknowledged that there were difficulties given that public access to certain areas must be maintained. He pointed out that there were also swipe card points on each floor in the offices.

It was agreed to ask the Facilities Management lead to meet with the Audit Working Group to explore concerns.

Members also asked if safety at public events had been reviewed following recent terrorist attacks in other countries. Mr Graham responded that he would raise the matter with the Chief Fire Officer.

Mr Watson updated the meeting on Transformation (No. 6) and described how the Transformation Board has created five work streams which it will monitor.

**RESOLVED: to note the progress on the actions.**

**9/16 CONSTITUTION REVIEW**

(Agenda No. 11)

Mr Graham introduced the report which covers both changes already made to the Constitution and proposals for change. He drew the Committee's attention to the proposal on writing-off debts. Members asked if this was removing the £10,000 delegated limit but Mr Graham explained that it did not. The new procedure only applied to situations where a settlement is being negotiated.

Members discussed the inconsistent speaking rules for county councillors at city and district planning meetings and for city and district councillors at county planning meetings. Mr Graham reported that the Chairman of the Planning and Regulation Committee had written to her counterparts in the other councils to urge a consistent approach on this matter. It was agreed to await the responses before considering the matter further.

**RESOLVED to:**

- a) **endorse the proposed change to the Council Procedure Rules outlined at paragraph 6 of this report (Financial Procedure Rules, write off provisions);**
- b) **agree to the Monitoring Officer proposing the change for Full Council's approval; and**
- c) **note the changes made to the Constitution by the Monitoring Officer under delegated powers since December 2015 (i.e. since the last annual Constitution Review report to Council).**

**10/16 AUDIT WORKING GROUP REPORT**

(Agenda No. 12)

It was agreed that the issues in the report had already been covered in discussions on earlier items in the agenda.

**RESOLVED: to note the report.**

**11/16 WORK PROGRAMME**

(Agenda No. 13)

The Committee discussed its work programme for 2017. Dr Jones suggested that the item OCC Accounts 2016/17 could be brought forward from September to the July meeting. It was agreed that the Chairman will consider this proposal and confirm a date at the next meeting. The plan was adopted by the Committee.

..... in the Chair

Date of signing ..... 2017

Division(s): N/A

## **AUDIT & GOVERNANCE COMMITTEE – 8 MARCH 2017**

### **FINANCE IMPROVEMENT PLAN**

#### **Report by Director of Finance**

#### **Introduction**

1. This report is the latest of the regular updates provided to the Committee and the Audit Working Group (AWG) on Finance Improvement activity.
2. As previously reported by aligning the Financial Control Improvement Plan within the Transformation Programme, the scope and timings have changed. Now renamed as Finance Improvement, the principles and key themes of the original plan remain, but a strategic approach is being adopted to the change priorities. This report is therefore structured with a brief summary confirming the status of activity within the original plan, followed by an update on the key priorities and any emerging issues.

#### **Summary**

3. The following summarises the progress against the original plan:

#### **Roles and Responsibilities**

4. This has been completed for the current structure within Finance, but as the Transformation Programme progresses with an expectation of organisation change and system change, roles and responsibilities will be kept under constant review.
5. In the last report to the Committee there was one specific process, refunds and credit notes, which needed further work looking at the end to end process to clarify policy, in particular in relation to use of credit notes. It was expected this work would have been completed by the end of February, but this has been delayed and will now be completed end of March.

#### **Regulations Policies and Procedures**

6. Work is on-going to review policies, procedures and guidance, including Financial Procedure Rules and Financial Regulations and is still scheduled to be completed by the end of March 2017.

#### **Training and Self Help Material**

7. The drop in sessions have now ceased and any future need for more sessions or targeted training will be considered based on any issues

emerging from the performance monitoring that the professional leads are undertaking during their monthly meetings.

### **Financial Reporting**

8. The project is on-going, and on track to go live from April 2017. Council Leadership Team has agreed a new budget sign off process. Cost centre managers are no longer required to sign agreement to their annual budget, this will instead be controlled at the level of accountable officer, to whom the cost centre managers report.

### **Management Control**

9. Performance reports are being regularly produced. For Purchase to Pay, we now receive monthly dashboards of aged creditors, blocked payments, and performance by vendor, which enable detailed analysis and performance to be challenged. For Debt Management, monthly dashboards are being produced for the Adult Social Care Debt, and these are being developed for corporate debt.

### **Financial Systems**

10. The audit actions continue to be monitored and implemented in conjunction with the strategic solutions being developed. There remain several actions, mainly priority 2, that are outstanding, and these were considered at the last AWG. The current position with the key systems was summarised as follows:

#### *Accounts Payable*

11. The Corporate Procurement team are focussed on improving the internal purchasing processes, working in conjunction with the IBC reviewing performance reports and looking for areas where there are blockages in the payments process, and where alternatives for more efficient purchasing can be found. This team is playing a key role within the Transformation Programme looking at better ways of controlling spend through demand management and expert purchasers, as well as overseeing the implementation of the new contract management system.
12. Duplicate payments is an area that still requires improvement to the process. Reports of potential duplicate payments are being received and analysed monthly; however the gap in the process is there is no monitoring to ensure refunds are received. The internal process was agreed in November, but has been delayed in implementation. This has recently been identified, and action is in place to have this implemented by the end of February.

#### *Accounts Receivable*

13. As reported at the last Committee, aged debt was a concern. Since the Committee a new resourcing structure has been designed and additional resources made available to reflect the need for tighter credit control operations. Considerable work has already been undertaken with the Adult

Social Care Income team in developing knowledge, systems and processes, and this is now demonstrating very good results. The team has been transferred into Corporate Finance, and is now being managed by the Corporate Income Manager. In addition a new Credit Controller post has been created and appointed to, to manage the corporate debt.

14. At the end of March the Legal Executive handling debt recovery within Legal Services is leaving. This is a significant risk as the individual has considerable experience and expertise that will be lost, and is very effective in the role. To mitigate the risk, we have been working with the Director of Law and Governance to consider how this activity can be resourced going forward. The changes reported in Para 13 above, reflect the outcome of those discussions. The Credit Controller started on Thursday 2 February, and in conjunction with the Corporate Income Manager and the Legal Executive, they are working on knowledge and case transfer whilst there is the opportunity until the end of March.

#### *Purchasing Cards*

15. We are currently trialling using an embedded purchasing card with a key supplier that will be more efficient. If the trial is successful, the concept will be rolled out for other contracts where low value items are subject to regular purchasing by Managers.
16. Purchasing cards are also being promoted as the preferred method for low value purchases. There are too many small value purchases being made via a purchase order, including retrospective orders.
17. Reports are received in respect of purchasing card spend, but the performance report showing the level of compliance with items being reviewed and approved is not yet embedded into our management routines. It is expected this will be actioned from this month

#### **Bulk Data Upload (BDU)**

18. The focus remains on the development of the payment feeder system from the CONTROCC system into SAP. Testing results have delayed the implementation, as issues have been identified that are being worked on to resolve. The expected go live date is now end of March. Once this has been successfully implemented, a programme will be established within the Digital work stream of the Transformation Programme, to facilitate further automation of other feeder systems.
19. It was the original objective that the existing BDU system would be decommissioned as alternative, more secure methods of payment would be investigated. It is clear that this is not realistic, and that there will continue to be a need for some manual uploading of payment files; however the scale will be reduced and a new control process for managing the uploads will be developed. This will be undertaken during the first quarter of 2017/18.

## **IBC Review**

20. This action has been completed, with the new governance structure embedded. The operation of the IBC services remains under continuous review.
21. One of the key issues that have been consistently highlighted by staff has been the support and query resolution by the customer services centre within the IBC. During November the IBC has engaged with all its partners and commissioned an external company to undertake a fundamental review of its customer service. This has included a large scale feedback via questionnaires, and more recently a facilitated workshop involving staff from OCC and other partners to support action planning. Management are currently considering the outcomes of the review and developing an action plan. The report has not yet been published. A full update can be provided at the next committee meeting.

## **Issues Arising**

22. There were issues identified from the Finance Improvement activity reported to the Committee January. The following is an update on those issues:

### **Payroll Configuration**

23. The IBC commissioned an independent payroll and pensions subject matter expert to undertake a review, and to provide assurance over the accuracy and integrity of the system and processes. The fieldwork has been completed and a draft report is subject to management review and action planning. The full outcome will be reported to the next committee meeting.

### **Financial Assessment**

24. As reported at the last meeting the Financial Assessments issue has been resolved and control in place.

### **Aged Debt**

25. Covered in paragraphs 13 and 14 above.
26. In addition a process review has been undertaken with the IBC and identified a small number of minor changes in the debt management process that will support improved performance. A follow up meeting has been scheduled for the first week in March to confirm implementation and review impact.

## **Progress Highlights**

27. In addition to the issues highlighted above, the following are the key activities being prioritised under the Finance Improvement work stream:

### **LAS/CONTROCC**

28. We are continuing to look at all the end to end processes currently in operation and with the support of a business analyst and systems development team, identifying a series of improvement projects that will form the scope for Phase 2 implementation over the next six months. In scoping each project the principles of digital and business efficiency are set as key deliverables. The work is highlighting inefficiency and potential areas for reviewing existing charging policies.
29. A Project Initiation Document (PID) will be developed to set out the full scope of the Phase 2 implementation.

#### **Pre-Paid Card**

30. The pre-paid cards project is entering procurement phase. This should be completed over the next two months followed by a phased implementation.

#### **PCI (Payment Card Industry) Compliance**

31. The industry expert has completed the assessment of options to maintain compliant solutions for receiving payment by card. We are currently drafting a specification for a banking procurement in conjunction with ICT to enable on line payments to be available for a range of services.

#### **Customer Portal**

32. As part of the Digital Strategy work will soon commence on developing a customer portal. We are currently working with ICT reviewing the banking and financial control requirements to ensure that any financial transactions managed through self-help within the portal will be compliant, both with PCI, and also banking regulations.

#### **Bank Accounts**

33. As previously reported we are currently undertaking a review of all bank accounts. This is requiring a detailed data cleansing exercise to ensure we have an accurate and up to date list of all accounts. We are working with Lloyds Bank to review the existing mandates. The aim is to significantly reduce the number of accounts being maintained, and on-going have arrangements in place for monitoring and oversight of the accounts.

#### **Finance – Fit for the Future**

34. We are creating a small project team within Corporate Finance, reporting to the Finance Leadership Team, focussing on continuous improvement and a strategic look at the operating model for Finance and how we can be “fit for the future” in a progressive and transforming organisation. The team commenced the work in January, and it is expected a draft target operating model will be developed by the end of March, for implementation during 17/18.

## **Financial and Staff Implications**

35. The Finance Improvement is a work stream within the Transformation Programme. Any additional resource requirements such as project management and business analyst resources are funded through the Programme. Otherwise, it is expected that the delivery of the plan will be resourced through current teams. There are no immediate cost or staff implications, although there will be a need to prioritise work; however the overall objective is to provide efficient and effective financial management systems, policies and procedures, therefore opportunities requiring investment may be identified. These would need to be considered and agreed by the Transformation Board.

## **Risk**

36. There is an inherent risk of loss or error where financial control is not managed effectively. The objective of the improvement plan is to deliver financial control that is based on strong risk awareness.

## **RECOMMENDATION**

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

Lorna Baxter  
Director of Finance

Background papers: None

Contact Officer: Ian Dyson, Assistant Chief Finance Officer (Assurance)  
February 2017



## Oxfordshire County Council

Audit and Governance Committee

Progress Report

March 2017



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

8 March 2017

Dear Committee Member

## **Audit Progress Report**

We are pleased to attach our Audit Progress Report. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2016/17 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations. We will bring a progress report to each Committee except for those where we will bring the Audit Plan or the Audit Results Report.

Our audit is undertaken 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.

We welcome the opportunity to discuss this report with you as well as 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

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

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

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

## 2016/17 audit

### Audit Plan

We presented our 2016/17 updated Audit Plan to the Audit and Governance Committee in January 2017. We will keep the plan under review and will inform you of any changes to our risk assessments and planned work.

### Meetings and progress to date

We continue to have regular meetings with key officers as part of our ongoing audit process.

These have proved beneficial as we have developed our understanding of the financial processes discussed a number of areas of the statements and have already selected our samples for substantive testing of income and expenditure transactions for the first 9 months of the financial year and shared these with the Council's finance team.

Our interim reviews have not identified any issues we wish to bring to your attention.

Our IT audit specialists are reviewing controls over the main financial systems run by the IBC and we expect them to conclude that we can rely on them.

We are also about to start our work assessing manual and IT controls in the Adult Social Care system.

If both of these pieces of work allow us to rely on controls then we will need to undertake less substantive testing than we carried out in 2015/16.

We have also doing early final accounts work on:

- changes to the way that the information in the Comprehensive Income & Expenditure Statement is presented;
- reviewing going concern;
- exit packages; and
- PPE additions and disposals.

We have completed our initial work on the LOBO objection and will be discussing our findings with officers shortly.

We have also held discussions with the Finance Team and Internal Audit on the Highways Network Assets to plan for issues that will impact in 2017/18.

### Audit and Governance Committee

If members of the Audit and Governance Committee have any particular issues they want to discuss with us we would be pleased to discuss these with you.

## Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2016/17 Audit and Governance Committee cycle.

<b>Audit phase</b>	<b>Timetable</b>	<b>Audit Committee timetable</b>	<b>Deliverables</b>
High level planning	<b>April 2016</b>	<b>April 2016</b>	Audit Fee Letter
Risk assessment and setting of scopes	<b>December 2016</b>	<b>January 2017</b>	Audit Plan
Testing routine processes and controls	<b>January 2017 and March 2017</b>	<b>March 2017</b>	Progress Report
Year-end audit	<b>July 2017</b>		
Completion of audit	<b>August 2017</b>	<b>September 2017</b>	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and our value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	<b>October 2017</b>	<b>November 2017</b>	Annual Audit Letter

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# Local government audit committee briefing

## Contents at a glance

### Government and economic news

### Accounting, auditing and governance

### Key questions for the audit committee

### Find out more

This sector briefing is one of the ways that we 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 briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring 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.

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



# Government and economic news

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## EY item club winter forecast

In its latest forecast the EY Item Club cautions that, whilst it may look like the economy is taking the referendum in its stride, the impression could be deceptive. A timely reminder that trouble may lie ahead is provided by Sterling's recent performance.

The UK economy is forecast to undergo a gradual dip and recovery over the coming four years, with GDP growth slowing to 1.3% in 2017 and just 1.0% next year, before picking up to 1.4% in 2019 and 1.8% in 2020. The ability of the economy to deliver against this forecast is seen as highly dependent on its foreign trade performance, the expectation is that this will improve this year as consumer spending slows down.

In terms of inflation as measured by the Consumer Prices Index it is expected to rise in excess of 3% by the end of 2017, before falling back towards the Bank of England's 2.0% target in 2018. With the economy slowing down and wage inflation remaining subdued, the forecast is that base interest rates will be held at 0.25% by the Monetary Policy Committee until the spring of 2018.

Looking ahead, the UK's trade performance and output growth in 2019 and beyond will depend critically on the exit terms that can be agreed with the EU27 and other countries. Whilst there is greater clarity about the UK's negotiating position, elections coming up later this year in several European countries mean that the negotiating position of the EU27 will take longer to get a clear picture of. Additionally, the US election result complicates Britain's exit from the EU due to uncertainty over the US economic and foreign policy.

## Social Care Precept and New Homes Bonus

The 'Provisional local government finance settlement 2017/18' announced that an additional £900mn would be used to fund the social care system over the next two years. This will be made up of two parts:

- ▶ £240mn transfer from the new homes bonus
- ▶ £652mn from increasing the social care precept (£208mn in 2017/18 and £444mn in 2018/19)

### New Homes Bonus

The consultation for the new homes bonus ended and the Government made a number of revisions to the grant. The transfer from the new homes bonus represents a change that ensures that councils will only receive funding for housing built above the national housing growth baseline of 0.4%. There will also be a movement to five year payments from 2017/18 and four year payments from 2018/19.

There are no proposals to withhold grants for those authorities without a local plan in 2017/18 but this will be revisited for 2018/19. The bonus will continue to be unringfenced as in previous years.

### Social Care Precept

Councils will have the flexibility to increase the dedicated social care precept by up to 3% in 2017/18 and 2018/19 (this was previously capped at 2% for each of the three years 2017/18 to 2019/20). If this is chosen it will be equivalent to an increase of £1 a month on an average Band D Council Tax bill. However the social care precept would need to remain at 6% over the next three years, therefore if the increased 3% was taken in 2017/18 and 2018/19 it could not be increased again in the following year.





## Government and economic news

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Within the 'Provisional local government finance settlement 2017/18' It has been highlighted that increased funding is not the only way to improve social care but better integration of the health service and local government is needed. In Oxfordshire this has led to a 40% fall in delayed discharges in 6 months and in Northumberland increased work between the council and the health service has led to a 12% reduction in demand on residential care.

### Local Government Funding Settlement

The four year funding settlement has been agreed to by 97% of councils. This will mean councils will have £7.6bn in total dedicated social care funding over the four years up to 2019/20. In return they will have to publish efficiency plans online.

It is expected that top-tier authorities are likely to benefit most from the settlement as they have high-demand critical services and will therefore receive more funding. However district councils will see a greater squeeze on their budgets due to the reduction in the new homes bonus.

This comes as a step towards devolution. The introduction of fully retained business rates will also bring about more power for councils to serve their local communities. However this does open councils up to more risk. For this to be beneficial the economy will need to grow and more houses will need to be built. Councils therefore need to think about how they will ensure that this does not leave them in a worse position than through central government funding.

### Funding for new care model vanguards

In order to support and spread the work of new care model vanguard projects, NHS England has announced over £100mn of funding being made available. NHS England sees that the existing vanguards, partnerships of NHS, local government, voluntary, community and other organisations are improving the healthcare people receive, preventing ill health, and saving funds.

They are seen as key to the delivery of Sustainability and Transformation Plans (STPs) which are being developed across the country and, in addition to funding, the vanguards receive support to implement their plans from both NHS England and other national bodies. This includes how they harness new technology including apps and shared computer systems, and to develop their workforce so that it is focused around patients and their local populations. Vanguards are required to meet a number of conditions to obtain funding, including:

- ▶ Demonstrating clear improvements in quality and costs/savings
- ▶ Spreading their new care models, both within their STP and sharing with others (including producing guidance and materials for others to use)

The announcement highlights examples of areas the latest funding will be used on, and examples of work done to date. These include:

- ▶ **Fylde Coast Local Health Economy vanguard** – a new 'extensive care service' bringing together different health professionals offering targeted support for older patients with multiple conditions, this has contributed to significant reductions in areas such as non-elective admissions (25%) and A&E attendances (13%)
- ▶ **Mid Nottinghamshire Better Together vanguard** – joined-up community teams are working with patients and their families/carers, providing physical, mental and social care support to ensure people are wherever possible cared for at home. The vanguard has reported reductions in long term admissions to care homes and acute bed days, together with significant year-on-year reductions in avoidable patient attendances (20.5% for patients aged 80 years and above compared to 2015/16)



## Government and economic news

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- ▶ **East and North Hertfordshire Clinical Commissioning Group vanguard** – employing pharmacists to work with GPs, care home staff and other healthcare professionals to provide detailed medicine reviews for residents. Working with the care homes, the vanguard has already reviewed over 900 patients and the use of 8,000 medicines. Of these over 1,000 medicines have been stopped, including nearly 200 which could have increased the risk of falls. The estimated direct cost savings are in excess of £160,000

### Financial Sustainability of Schools

The Department of Education has predicted that mainstream schools will have to find savings of £3bn (8%) by 2019/20. This is expected to come from efficiencies from the following:

- ▶ £1.3bn from better procurement
- ▶ £1.7mn from using staff more efficiently

The Government has proposed to increase the schools budget over the next four years, and by 2019/20 the increase will be 7.7% compared to the 2015/16 level. However the increase in pupil number is expected to be 3.9% in the same period, once inflation is taken into account; this is a real time reduction in funding per pupil.

The Department continues to publish advice on financial management and efficiency savings.

The proportion of secondary schools overspending rose from 34% in 2010/11 to 59% in 2014/15. For academies this rose from 39% to 61%. The reasons for this are unclear, and the sustainability of this spending is unknown.

### Highway Network Assets

The depreciated replacement cost accounting for Highway Network Assets is expected to come into effect from 1 April 2017, but is subject to confirmation from CIPFA. EY has run a number of workshops for clients and there are a range of levels of confidence over the accounting treatment for the asset. It can however be seen that the levels of confidence have increased from this time last year.

The key question for councils to consider will be how can we demonstrate that their Highways Asset Management System is complete and that all assets exist.

By following the DREAM approach set out below we believe the task will run smoother.

**Document highways systems:** Almost all highways and engineering IT inventory information has not been subject to audit and lack detailed procedure manuals/notes. Full documentation of the key core data systems should be completed as one of the initial tasks that an authority carries out.

**Reports and reconciliations:** Assess the information requirements of the task and whether the existing systems can produce the required reports and reconciliations or will new reports and reconciliations be needed? Identify any corrective action required.

**Evidential based:** The quality of the inventory is key to the change. So as well as documentation of inventory systems, establish how you will evidentially prove that the inventory is complete and the named assets exist. This includes key asset dimensions. However, before engaging expensive external contractors to do this consider all the processes that you currently have in place that actually do this ranging from routine cyclical inspections to independent system reviews. Use this to identify areas where 'top-up' work is required.



## Government and economic news

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**Audit:** Early and regular engagement with both internal audit (IA) and external audit (EA) is a key determinant of successful implementation. IA can assist in establishing documentation procedures and can carry out system audits of those systems. Sharing your proposals with EA in advance will reduce the risk of abortive work. Decisions on what work you actually do are a matter for the authority, but the EA will provide comments on proposed approaches.

**Materiality:** This is a key concept both to the authority as the accounts are stated to include all material items and EA who audit to a calculated materiality level. Materiality has both quantitative and qualitative aspects. In simple terms the quantitative identifies the level at which consideration needs to be given to whether omission of an item or inclusion of an error requires correction. The qualitative level is where a professional judgement is made as to whether correction of that item would influence decisions of the users of the accounts.

As the Highway Network Asset is to be classed as a single asset the materiality is based upon the total value and not the constituent parts. Due to the importance of this amount discussions around the level at which the authority is considering setting it at should take place with your external audit team at an early stage to ensure that this will not lead to problems in the audit process.

For further information please consult with your audit team

### Sustainability and Transformation Plans

Sustainability and Transformation Plans (STP) have now been produced and are designed to articulate how individual organisations will play their part in delivering their locally agreed STP objectives, including sustainable financial balance across the health economy.

From April 2017, access to NHS transformation funding will be linked to effecting delivery of the STP. These include meeting control totals to reduce deficits and meeting certain performance requirements. STPs represent a shift in focus from the role of competition within the health system to one of collaboration – referred to as ‘place-based planning’. NHS organisations are telling us that the changing needs of their populations are best met through integrated models of care, with the delivery of care being best met by different areas of the NHS working in a co-ordinated way. The King’s Fund has argued that a place based approach to planning and delivering health and social care services is the right approach – and that this should also include collaborating with other services and sectors outside the NHS – with the aim of improving the health and wellbeing of local populations.

Development and delivery of STPs is a complex task, with large footprints, involving many different organisations, in an already stretched environment in terms of finances and capacity. There are further challenges with the need to address weaknesses in NHS incentives to work together and to avoid organisations focussing on individual goals rather than the effective implementation of STP objectives – for example, NHS Trusts are closely monitored on their own performance targets.

The Plans have been delivered in a relatively short timeframe and propose major changes to services. With the growing financial challenges in the system, the Plans are required to show how they will bring the NHS back into financial balance. Given the short timeframes, the submitted Plans will need further development and engagement before they can be effectively implemented.



## Government and economic news

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All parties to the STP will need to collaborate to ensure the plans take full account of the pressures faced by the individual parties. Whilst the process provides opportunities for areas with challenging finances to identify solutions, there will be difficult decisions to be made about the range, type and location of services that are delivered. Per the NHS Confederation, the important element of prevention requires a strong role from public health as well as wider Council services such as housing, leisure and recreation, planning and children's services.

The leadership of the STP is critical to the success of the plan. The role of the STP leaders needs to be clarified with many leads finding it difficult to manage their original responsibilities alongside their leadership role. There are plans for some leaders to share leading more formally in the future. However where there are a large number of organisations involved this may be more difficult to do.

### Priorities for social care in 2017

The Kings Fund has set out what it believes the five priorities should be for social care in the current year as follows:

- ▶ **Supporting new care models centred on the needs of patients** – Giving greater priority to public health and prevention, through partnerships between local government, the NHS, and other organisations, focused on both supporting people to remain in good health for as long as possible and engaging the public in tackling the causes of ill health. Additionally, they emphasise the need for continued support for vanguards both in delivering in their areas and spreading that good practice across the system
- ▶ **Strengthening and implementing sustainability and transformation plans** – The Kings Fund suggests that, to ensure that the service changes and the financial plans that underpin them are credible, all STPs need to be stress

tested. It also highlights that STPs have 'no basis in statute' and suggests that their governance is formalised to align their work with the responsibilities of the boards running NHS organisations

- ▶ **Improving productivity and delivering better value** – With the need for increasing productivity becoming more urgent as funding decreases and deficits amongst NHS providers increases, the fund suggests that the priority for every NHS organisation should be to support clinical teams to reduce unwarranted variations in care and to improve care. It sees the boards of NHS organisations as having a key role in leading this work, ensuring that developing the cultures in which improvement is supported and valued and making resources available to support implementation
- ▶ **Developing and strengthening leadership at all levels** – It is clear that clinical leaders have a crucial role, working with operational managers, to deliver high-quality care. This is where many of the productivity opportunities arising from changes in clinical practice can be realised. They argue that this requires leaders who are (in their words) 'comfortable with chaos' because they can work within fluid and often rapidly changing organisational arrangements and that the NHS can learn from local government
- ▶ **Securing adequate funding for health and social care** – They refer to the need for a debate about a new settlement for health and social care, building on the work of the Barker Commission, and going further than short-term interventions that have sought to shore up the system. They argue that an equitable and sustainable system would be one in which public funding is increased (paid for by increases in taxes and National Insurance and changes to some existing benefits), and a closer alignment between entitlements to social care and health care





# Accounting, auditing and governance

## PSAA Audit Services Procurement Strategy for the appointment of local auditors

The PSAA is entering into contracts with audit firms to make auditor appointments by 31 December 2017. There are a total of 493 eligible authorities who have been invited to opt in. These include local authorities, combined authorities, police and crime commissioners, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities.

The timetable for the appointment is as follows:

Key milestone	Target date
Issue OJEU Contract Notice and Selection Questionnaire (SQ) available on request	16 February 2017
Deadline for eligible bodies to notify PSAA of their decision to opt-into the scheme for audits of 2018/19 accounts	9 March 2017
Deadline of submission of SQs	21 March 2017
Issue ITT to short-listed suppliers	6 April 2017
Deadline for submission of tenders	10 May 2017
PSAA board approves contract award	30 June 2017

The contract will be awarded for five years to suppliers but PSAA may extend this contract by two years. It is expected that opting-in will achieve lower audit fees than those authorities that choose to negotiate alone. Fees are expected to be published in March 2018.

## Report on the results of auditors work LG bodies 2015/16

In December 2016 PSAA published its first report on the results of auditors' work across 497 principal local government bodies, including 357 councils, 31 fire and rescue authorities, 76 police bodies and 33 other local government bodies, and 9,756 small bodies, with a turnover of less than £6.5mn, including 9637 parish councils. The results within the report cover audit work on the financial statements, the WGA return, arrangements to secure value for money and any exercise of the auditor's statutory reporting powers.

The timeliness and quality is broadly consistent with prior year, however the number of early unqualified opinions (issued by 31 July 2016) doubled compared to those issued in respect of 2014/15.

96% of auditors issued an opinion on the accounts by 30 September 2016 and for the third year in a row there were no qualified opinions on principal bodies. The proportion of qualifications on value for money arrangements increased from 4% to 6%.

With faster close in place from the 2017/18 financial year, there is a need for efficiencies from both local government bodies and their auditors in order to maintain the level of performance shown in this report. EY have produced an article on 'Accelerating your financial close arrangements', this can be found by following this link [http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Accelerating\\_your\\_financial\\_close\\_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf). The report provides suggestions such as reviewing the format of the accounts, reviewing the approach to estimates and managing members' expectations, amongst others.



## Key questions for the audit committee

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### **What questions should the Audit Committee be asking itself?**

Has the Authority made a decision on whether or not to opt into the PSAA sector-led arrangements for the local appointment of auditors from 2018-19? Has the authority decided whether they will use the revised flexibility on the social care precept for 2017/18 and 2018/19?

How confident is the authority about its preparation for the introduction of Highway Network Assets? Have there been discussions with the external audit team on the key issues and plans for implementation?

Has the authority engaged positively with health and other partners in the development of Sustainability and Transformation Plans?

Has the Authority put plans in place to meet the faster close requirements for 2017/18?



## Find out more

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### **EY Item Club winter forecast**

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

### **Social Care, Precept and New Homes Bonus**

[http://www.publicfinance.co.uk/news/2016/12/council-tax-precept-and-new-homes-bonus-deployed-stem-social-care-crisis?utm\\_source=Adestra&utm\\_medium=email&utm\\_term](http://www.publicfinance.co.uk/news/2016/12/council-tax-precept-and-new-homes-bonus-deployed-stem-social-care-crisis?utm_source=Adestra&utm_medium=email&utm_term)

<https://www.gov.uk/government/news/dedicated-adult-social-care-funding-forms-key-part-of-continued-long-term-funding-certainty-for-councils>

<https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation>

### **Four year funding settlement**

<http://www.publicfinance.co.uk/news/2015/12/local-government-settlement-offers-councils-four-year-funding-deals>

### **Funding for new care model vanguards**

<https://www.england.nhs.uk/2016/12/vanguard-funding/>

### **Financial Sustainability of Schools**

<https://www.nao.org.uk/report/financial-sustainability-in-schools/>

### **Sustainability and Transformation Fund**

<https://www.kingsfund.org.uk/blog/2016/11/will-steps-deliver-changes-we-wish-see-our-health-and-care-services>

<https://www.england.nhs.uk/wp-content/uploads/2016/02/stp-footprints-march-2016.pdf>

<https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans>

### **Priorities for social care in 2017**

<https://www.kingsfund.org.uk/publications/priorities-nhs-social-care-2017>

### **PSAA Audit Services Procurement Strategy for the appointment of local auditors**

<http://www.psaa.co.uk/supporting-the-transition/appointing-person/procurement-strategy/>

### **Report on the results of auditors work LG bodies 2015/16**

<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/>

[http://www.ey.com/Publication/vwLUAssets/EY\\_-\\_Accelerating\\_your\\_financial\\_close\\_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)







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# Agenda Item 8

## **AUDIT and GOVERNANCE COMMITTEE – 8 MARCH 2017 REPORT OF THE AUDIT WORKING GROUP (AWG)**

The Audit Working Group met on Wednesday 8 February 2017

Attendance:

Full Meeting:

Chairman Dr Geoff Jones; Cllr Sandy Lovatt, Cllr Roz Smith; Nick Graham Chief Legal Officer; Ian Dyson, Assistant Chief Finance Officer (Assurance); Sarah Cox, Chief Internal Auditor; Stephen Fallows (minutes)

Part Meeting:

Lorna Baxter, Director of Finance, Bev Hindle, Strategic Director Communities, Seona Douglas, Deputy Director (ASC), Benedict Leigh, Deputy Director (ASC), Joseph White, Risk Management Officer, Steven Jones, Corporate Performance and Risk Management Officer

### **Matters to Report:**

#### **AWG 17.02 - Capital Programme Audit Update**

Bev Hindle, Strategic Director Communities and Lorna Baxter, Director of Finance attended to discuss the recently finalised audit of the Capital Programme. The audit had been given an overall grading of Red and the group considered the full report. The audit identified a lack of a sound governance structure in place in relation to the delivery of schemes within the capital programme, with limited strategic oversight and weaknesses in arrangements for reporting, monitoring and escalation of significant issues on individual projects. The group noted the action plan and requested an update in 6 months' time on the implementation of actions.

#### **AWG 17.03 - Mental Health Update**

The group had previously considered the audit of Mental Health which has an overall grading of Red. Seona Douglas and Benedict Leigh, Deputy Directors from Adult Social Care attended to provide the group with an update on implementation progress. The group noted that a comprehensive S117 review of all service users is being completed, a performance dashboard is in place, and issues around data quality being addressed and OCC now approve all care packages which is providing consistency over approval and eligibility of service provision. However the Deputy Directors did report some concerns with the delivery of the action plan and stated that these issues are now being considered as part of the strategic review currently in progress of the governance and structural arrangements, which will be completed by April 2017. The group therefore asked for an update at the 21 June AWG meeting.

#### **AWG 17.04 - Risk Management and Business Management Update**

The Assistant Chief Finance Officer (Assurance) presented an update on risk management, which included for information the Business Management Report which is presented to CLT and Cabinet, highlighting the key risks within the organisation. The group noted the alignment between risk and performance reporting and the link to strategic objectives. The group also noted the work being undertaken by officers supporting Senior Management in identifying and addressing emerging

strategic risks and the work being undertaken to improve the timeliness of business management reporting. The group agreed to continue to receive the strategic risk information and the Business Management Report.

### **AWG 17.05 - Update on Finance Improvement Plan**

The group received an update from the Assistant Chief Finance Officer (Assurance), including emerging issues and current progress in financial control improvement, which will be included in the full update to the March 2017 Audit & Governance Committee. The group noted the improvements still required in the areas of duplicate payments and aged debt. The group reviewed the list of management actions outstanding from the 15/16 audits and noted these will be followed up in the current audits of key financial systems.

The date of the next AWG meeting is Wednesday 5 April 2017, 14.00 - 16.00.

### **Recommendations**

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

Lorna Baxter  
Director of Finance

Contact: Officer: Sarah Cox, Chief Internal Auditor  
07393 001246 [sarah.cox@oxfordshire.gov.uk](mailto:sarah.cox@oxfordshire.gov.uk)

## AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME - 2017

### **11 January 2017**

Update on Hampshire Partnership – HR Update (Steve Munn)  
Internal Audit Plan – Progress Report (Sarah Cox)  
Ernst & Young Audit Plan (Alan Witty)  
Progress update on Annual Governance Statement Actions (Glenn Watson)  
Treasury Management Strategy (Donna Ross)  
Report from the Councillor Profile Working Group (Andrea Newman) [not needed]  
Constitution Review (Glenn Watson)

### **8 March 2017**

Ernst & Young Progress Report (Alan Witty)

### **26 April 2017**

Update on Hampshire Partnership (Ian Dyson)  
Annual Governance Statement (Glenn Watson)  
Annual Report of the Chief Internal Auditor 2016/17 (Sarah Cox)  
Internal Audit Strategy & Annual Plan 2017/18 (Sarah Cox)  
Audit Committee Annual Report to Council 2016  
Ernst & Young Progress Report (Alan Witty)  
Annual Scrutiny Report (Policy)

### **12 July 2017**

Treasury Management Outturn 2016/17  
Ernst & Young Progress Report (Alan Witty)  
Update on Hampshire Partnership – HR Update  
Review of effectiveness of internal audit (Glenn Watson)

### **13 September 2017**

OCC Accounts 2016/17 (Stephanie Skivington)  
Local Government Ombudsman's Review of Oxfordshire County Council (Nick Graham)  
Ernst & Young – Audit Results Report (Alan Witty)  
Internal Audit Plan – Progress Report (Sarah Cox)  
Regulation of Investigatory Powers Act (Richard Webb)  
Monitoring Officer Annual Report (Nick Graham)

### **8 November 2017**

Ernst & Young: Annual Audit Letter (Alan Witty)  
Treasury Management Mid Term Review (Donna Ross)  
Constitution Review (Glenn Watson)

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

- Audit Working Group reports  
(Sarah Cox)
- Audit & Governance Committee Work Programme – update/review  
(Committee Officer/Chairman/relevant officers)

- Transformation Update (Lorna Baxter - **Quarterly**)
- Update on Finance Improvement Plan (Ian Dyson - **Quarterly**)