



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

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

**Wednesday, 5 July 2017 at 2.00 pm**

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

A handwritten signature in black ink that reads "Peter G. Clark".

Peter G. Clark  
Chief Executive

June 2017

*Committee Officers: Colm Ó Caomhánaigh, Tel 07393 001096; E-mail:  
colm.ocaomhanaigh@oxfordshire.gov.uk*

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**Membership**

Chairman – Councillor Nick Carter  
Deputy Chairman - Councillor Tony Illott

*Councillors*

Paul Buckley  
Ian Corkin  
Helen Evans

Charles Mathew  
Deborah McIlveen  
Les Sibley

Roz Smith

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*Co-optee*

Dr Geoff Jones

**Notes:**

- ***A training session for Committee Members will be held at 12 Noon on the day of the meeting in Meeting Room 2.***
- ***A pre-meeting briefing for the Chairman, Deputy Chairman and Opposition Spokesperson will take place at 1pm on Thursday 29 June 2017 in Meeting Room 1.***
- ***Date of next meeting: proposed to be changed to 6 September 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 - 8)

To approve the minutes of the meetings held on 26 April 2017 and 16 May 2017 and to receive information arising from them.

## 4. Proposed change of meeting date

**RECOMMENDATION:** That the Committee agrees to change the date of the Committee meeting originally scheduled for 13 September 2017 to take place on 6 September 2017, starting at 2pm.

## 5. Petitions and Public Address

## 6. Audit Working Group Terms of Reference and Appointment of the Audit Working Group (Pages 9 - 12)

2.10pm

Report by the Director of Finance.

This report presents the updated Audit Working Group Terms of Reference and requests that the Committee appoint the new Audit Working Group members.

**The committee is RECOMMENDED to:**

- a) Approve the Audit Working Group Terms of Reference; and
- b) Appoint the members and substitute members of the Audit Working Group.

## 7. Review of Performance Management of the Highways Partnership Contract

2.30pm

Oxfordshire County Council has had a contractual relationship with Skanska for seven years. Over this time Council officers and Skanska have worked closely together to ensure continuous improvement in the way that services are delivered and that value

for money is being achieved in undertaking a highway maintenance function. There is governance in place to regularly monitor the performance of the contractor and the shared outcomes achieved from the partnership and to benchmark the service against other authorities.

The presentation will address 5 main themes

- The highways contract and how it works
- Value for Money and performance management
- Changes to the ways of working
- Asset valuation and the depreciation of the asset
- Progress against previous Payment Audits

## **8. Treasury Management Outturn 2016/17 (Pages 13 - 30)**

3.10pm

Report by the Director of Finance

The report sets out the Treasury Management activity undertaken in the financial year 2016/17 in compliance with the CIPFA Code of Practice. The report includes Debt and Investment activity, Prudential Indicator Outturn, Investment Strategy, and interest receivable and payable for the financial year.

**The Committee is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2016/17.**

## **9. Internal Audit Charter (Pages 31 - 46)**

3.30pm

Report by the Director of Finance

This report presents the updated Internal Audit Charter and also the Internal Audit Quality Assurance and Improvement Programme.

**The committee is RECOMMENDED to:**

- a) Approve the Internal Audit Charter; and**
- b) Note the Quality Assurance and Improvement Programme.**

## **10. External Auditors (Pages 47 - 54)**

3.50pm

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

- Progress Report

## **11. Update on Hampshire Partnership (Pages 55 - 66)**

4.10pm

Report by the Director of Finance.

In July 2015 the Council joined the Hampshire Partnership with HR and Finance operations being delivered through their Integrated Business Centre (IBC). The Audit and Governance Committee has received regular updates on the operation of the partnership, and issues arising. This report covers the period from January 2017.

**The Committee is RECOMMENDED to:**

- a) note the report;**
- b) confirm whether updates are required routinely and at what frequency, or reported by exception should material issues arise;**
- c) agree to receive a detailed presentation on the Customer Service Improvement Programme.**

## **12. Review of effectiveness of internal audit (Pages 67 - 74)**

4.30pm

Report by the Monitoring Officer.

Each year the Monitoring Officer undertakes a survey of senior managers about the effectiveness of Internal Audit at Oxfordshire County Council. There is no longer a statutory requirement for a formal annual review of the effectiveness of Internal Audit, however this Committee last year agreed that the Monitoring Officer should continue to undertake this survey and report its outcomes to the Committee.

This report summarises the responses to the survey. In short, the survey of the extended County Council Management Team reveals a positive picture of the effectiveness of Internal Audit during the year 2016/17.

**The Committee is RECOMMENDED to note and comment upon the report.**

## **13. Work Programme (Pages 75 - 76)**

4.50pm

To review the Committee's Work Programme.

**Close of meeting**

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

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# Public Document Pack Agenda Item 3

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 26 April 2017 commencing at 1.00 pm and finishing at 3.00 pm

**Present:**

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

Councillor David Wilmshurst (Deputy Chairman)  
Councillor David Bartholomew  
Councillor Yvonne Constance OBE  
Councillor Tim Hallchurch MBE  
Councillor Nick Hards  
Councillor Alison Rooke  
Councillor Roz Smith  
Dr Geoff Jones

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

**By Invitation:** Alan Witty and Alison Kennett (Ernst & Young)

**Officers:**

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

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
9	Ben Threadgold, Policy and Performance Service Manager
11	Simon Furlong, Chief Fire Officer Julian Green, Strategic Risk and Assurance
12	Glenn Watson, Principal Governance Officer

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

## 20/17 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS (Agenda No. 1)

Apologies were received from Councillor John Tanner.

## **21/17 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 2)

There were no declarations of interest.

## **22/17 MINUTES**

(Agenda No. 3)

The minutes of the meeting held on 8 March 2017 were approved and signed.

Councillor Bartholomew told the meeting that he will bring a motion to Council regarding speaking rights for city and district councillors at County Council planning meetings.

## **23/17 PROPOSED CHANGE OF MEETING DATE**

(Agenda No. 4)

**RESOLVED: to change the date of the Committee meeting originally scheduled for 12 July 2017 to take place on 5 July 2017, starting at 2pm.**

## **24/17 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR 2016/17**

(Agenda No. 6)

Ms Cox summarised the annual report. In last year's report the Opinion was 'qualified' whereas this year it has improved to 'reasonable'. All reports were finalised on time. Two reports resulted in a Red rating and the Audit Working Group is monitoring these.

Members raised a number of issues and officers responded as follows:

- Although local authority responsibility for schools is declining, proportionate checks are continuing on schools to ensure they are managing their budgets.
- The investigation reported on Agenda page 43, involving a payment of £2,400 per week, is not exceptionally large. That case has been resolved but others have been picked up requiring additional actions.
- The increase in travel expense claims is being examined under a general review of travel expenses expected to be completed by the end of June.
- The Council has powers to suspend budgets or otherwise intervene with maintained schools.
- Awareness training for social workers with regard to direct payments has been very beneficial. Payment cards will be rolled out in Q2 and Q3 which will give complete visibility, rather than having to seek information.
- In response to suggestions that certain ratings should be Red rather than Amber, Ms Cox stated that in those cases there were no material inaccuracies that would justify a Red rating. Amber ratings are treated the same as Red in that the implementation of actions is expected.
- Local Authority Governors in maintained schools are always notified of any issues that arise.
- Continuing concerns raised regarding the highways contract will be addressed in the report coming to the Committee at the July meeting.



**RESOLVED: to endorse the annual report.**

**25/17 INTERNAL AUDIT STRATEGY & ANNUAL PLAN 2017/18**

(Agenda No. 7)

Ms Cox introduced and summarised the report. The main plan in Appendix 1 had been agreed with the Directors and External Auditors.

Members asked about the chargeable days for the Oxford City Council Investigation Team and if other districts could be involved. Mr Dyson responded that a regional hub had been proposed but consensus could not be achieved. The County Council was successful in a bid for central funding and funds the reviews but the City Council controls them. There are currently arrangements with Vale of White House and South Oxfordshire County Council on staffing resources. While the reviews are the responsibility of the city and district councils, the County Council also benefits.

Clarification was sought as to whether the Committee should note, approve or endorse the plan. Mr Graham agreed that the word “endorse” was appropriate.

**RESOLVED: to**

**a) endorse the Internal Audit Strategy for 2017/18 and the 2017/18 Internal Audit Plan; and**

**b) endorse the 2017/18 Counter-Fraud Plan.**

**26/17 AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2016**

(Agenda No. 8)

The report was presented by the Chairman and he invited comments and suggestions.

Members particularly acknowledged the valuable work of the Chairman of the Audit Working Group.

It was noted that, on the official record of attendance at Committee meetings, a Member of the Committee is recorded as present even if they attend only part of the meeting. It was suggested that the record should reflect part attendance.

It was agreed that the reference in the report to the former Audit Commission in Annex 1 paragraph 5 should be deleted.

**27/17 EXTERNAL AUDITORS**

(Agenda No. 10)

Mr Witty presented the update and fee letters. It is expected that with improved controls the Auditors will need less substantive testing than last year. Work has started on the new Adult Social Care systems. There are no increases in fees since last year.

Asked if his company contracted out IT reviews, Mr Witty confirmed that they did not.

**RESOLVED: to note the report and fee letters.**

## **28/17 ANNUAL SCRUTINY REPORT**

(Agenda No. 9)

Mr Threadgold presented and summarised the annual report. He also reported that independent training on scrutiny will be included in the induction programme for new and continuing Members following the Council elections.

Members made a number of comments and suggestions on the report as follows:

- There should be a separate scrutiny committee on Social Care as it accounts for half the council budget.
- On Agenda page 106, the second bullet point, under “Workplace Charging ....” doesn’t appear to relate to the heading and should be separate.
- The report outlined what was done very well but didn’t really say what was achieved.
- The S106 review should have a section to itself to reflect its importance and the fact that Members thought it was an exemplary “deep-dive”.
- It was noted that there were no call-ins this year.

Mr Graham added that a parliamentary select committee is currently examining scrutiny as it is generally viewed as not being as successful as it could be.

**RESOLVED: to note the report.**

## **29/17 OFRS STATEMENT OF ASSURANCE 2016-17**

(Agenda No. 11)

Mr Furlong introduced the report. He stated that, the CIPFA financial information is not yet available for the reporting year 2015-16, so the 2014-15 information has been retained. This will be updated later in 2017 once CIPFA release the data.

Members of the Committee raised points and officers responded as follows:

- The response model adopted with neighbouring counties’ services ensures that the quickest service will attend even if out of area.
- It is hoped to fill the vacant position of Area Manager Collaboration with a potential secondment in the next couple of weeks.
- The service has started to assist with medical emergencies and a Memorandum of Understanding on cardiac arrests is in progress.
- The service also assists with effecting entry to premises as the police response can be delayed due to pressures on their resources.
- OFRS properties have been included in the Council’s review and information that will be available on the intranet will include their facilities.

**RESOLVED: to note the report.**

**30/17 ANNUAL GOVERNANCE STATEMENT**

(Agenda No. 12)

Mr Graham introduced the report which had already been before the Audit Working Group (AWG). It outlined changes in the format of the Annual Governance Statement which now focuses on

- an ‘opinion’ on the Council’s governance arrangements,
- a review of effectiveness,
- a review of last year’s action plan, and
- an action plan for the coming year.

Members welcomed the new format and noted that points raised by the AWG had been taken up. Mr Jones expressed concern that when actions are incomplete and carried forward to the following year, the Committee doesn’t see that they have been completed.

**RESOLVED: to approve the Annual Governance Statement 2016/17, subject to the Director of Law and Governance making any necessary amendments in the light of comments made by the Committee, after consultation with the Leader of the Council, Chief Executive and Section 151 officer.**

**31/17 AUDIT WORKING GROUP REPORT**

(Agenda No. 13)

The report was introduced by Ms Cox.

Mr Dyson reported that most Member meetings scheduled for May and June have been postponed due to the general election called for 8 June 2017. As a result the next Audit Working Group meeting will not now take place until late August or early September. In view of that, the membership of the working group can be decided at the Committee’s July meeting.

**RESOLVED: to note the report.**

**32/17 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME**

(Agenda No. 14)

The Committee agreed their work programme subject to the following change:

The meeting originally scheduled for 12 July 2017 will now be held on 5 July 2017 and the Appointment of the Audit Working Group will be added to the items on the agenda for that meeting.

..... in the Chair

Date of signing ..... 2017

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## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Tuesday, 16 May 2017 commencing at 12.45 pm and finishing at 12.50 pm

**Present:**

**Voting Members:**

Councillor Nick Carter  
Councillor Tony Ilott  
Councillor Paul Buckley  
Councillor Ian Corkin  
Councillor Helen Evans  
Councillor Charles Mathew  
Councillor Deborah McIlveen  
Councillor Les Sibley  
Councillor Roz Smith

**Officers:**

Whole of meeting Peter Clark, Chief Executive; Nick Graham, Director of Law and Governance; Deborah Miller, Committee 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.*

### **33/17 ELECTION OF CHAIRMAN FOR THE 2017/18 COUNCIL YEAR**

(Agenda No. 1)

Councillor Ian Corkin moved and Councillor Les Sibley seconded that Councillor Nick Carter be elected Chairman of the Committee for the 2017/18 Council Year.

Councillor Paul Buckley moved and Councillor Helen Evans seconded that Councillor Roz Smith be elected Chairman of the Committee for the 2017/18 Council Year.

Both nominations were put to a vote. There were 5 votes for Councillor Nick Carter and 3 votes for Councillor Roz Smith.

**RESOLVED:** that Councillor Nick Carter be elected Chairman of the Committee for the 2017/18 Council Year.

### **34/17 ELECTION OF DEPUTY CHAIRMAN FOR THE 2017/18 COUNCIL YEAR**

(Agenda No. 2)

Councillor Nick Carter moved and Councillor Les Sibley seconded that Councillor Tony Ilott be elected Deputy Chairman of the Committee for the 2017/18 Council Year.

Councillor Roz Smith moved and Councillor Helen Evans seconded that Councillor Roz Smith be elected Deputy Chairman of the Committee for the 2017/18 Council Year.

Both nominations were put to a vote. There were 5 votes for Councillor Tony Ilott and 3 votes for Councillor Roz Smith.

**RESOLVED:** that Councillor Tony Ilott be elected Deputy Chairman of the Committee for the 2017/18 Council Year.

**35/17 APPOINTMENTS**  
(Agenda No. 5)

**RESOLVED:** to make the following Appointments:

- (a) (nem con) to appoint the Appeals & Tribunals Sub-Committee which comprises a member of the Audit & Governance Committee (or substitute) and two other members of the Council (one being a Cabinet member in the case of Fire Discipline issues). Where the Panel meets to consider home to school transport appeals, the membership of the Panel in that case will consist of one councillor, one officer and one independent person who is not to be a councillor.
- (b) (nem con) to appoint a Members Advisory Panel in relation to complaints handling, drawn from a pool comprising all members of this Committee.

..... in the Chair

Date of signing ..... 20

# Agenda Item 6

## AUDIT and GOVERNANCE COMMITTEE – 5 JULY 2017

### Audit Working Group Terms of Reference and Appointment of the Audit Working Group

#### Report by the Director of Finance

#### Introduction

1. This report presents the updated Audit Working Group Terms of Reference and requests members of the Audit & Governance Committee to appoint the members and substitute members of the Audit Working Group.

#### Terms of Reference

2. The updated Audit Working Group Terms of Reference was considered by the Audit & Governance Committee April 2017 committee, when reviewing the annual report of the Audit & Governance Committee. A further amendment has since been recommended whereby it is proposed that when the Chair of the Audit & Governance Committee cannot attend the Audit Working Group that the named substitute is the Deputy Chair of the Audit & Governance Committee. The revised terms of reference for the Audit Working Group, is included as appendix A to this report.
3. In line with the attached terms of reference the Audit & Governance Committee are therefore requested to appoint the three core members of the Audit Working Group and name the three substitute members.

#### RECOMMENDATION

4. **The committee is RECOMMENDED to:**
  - a) **Approve the Audit Working Group Terms of Reference; and**
  - b) **Appoint the members and substitute members of the Audit Working Group.**

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)

## **APPENDIX A**

### **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. Where the Chairman of the Audit and Governance Committee cannot attend the Audit Working Group, the Deputy Chair of the Audit and Governance Committee will be the named deputy.

The Director of Finance and/or Assistant Chief Finance Officer (Assurance), Director of Law and Governance (& Monitoring Officer), 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 (Article 8 of the Constitution);

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

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

receive private briefings on any matters of concern;

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



## **Reporting**

The Director of Finance 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 .....July 2017

Review Date.....July 2018

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

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Division(s): N/A

**Cabinet – 5 July 2017**

## **TREASURY MANAGEMENT OUTTURN 2016/17**

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

#### **Introduction**

1. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management (Revised) 2009' requires that the Council (via Cabinet) and Audit & Governance Committee receives an updated report on Treasury Management activities at least twice per year. This report is the second report for the financial year 2016/17 and sets out the position as at 31 March 2017.
2. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
3. The following annexes are attached
  - Annex 1 Debt Financing 2016/17
  - Annex 2 Public Works Loan Board (PWLB) Maturing Debt
  - Annex 3 Lending List Changes
  - Annex 4 Investment portfolio 31/03/2017
  - Annex 5 Prudential Indicators Outturn
  - Annex 6 Benchmarking

#### **Strategy 2016/17**

4. The Treasury Management Strategy for 2016/17 was based on an average base rate forecast of 0.55%. The budget for interest receivable assumed that an average interest rate of 0.85% would be achieved, 0.30% above base rate.
5. The Strategy for Long Term Borrowing included the option to fund new or replacement borrowing up to the value of 15% of the portfolio through internal borrowing to reduce the Council's exposure to credit risk and reduce the cost of carry (difference between borrowing costs and investment returns) whilst debt rates remained higher than investment interest rates. The 15% limit was reduced from 25% in 2015/16 due to estimated reductions in cash balances over the medium term.
6. The Strategy requires that the Treasury Management Strategy Team (TMST) continue to keep external fund investments under review, with decisions to advance or withdraw funds to external fund managers delegated to the TMST.

## External Context – Provided by Arlingclose

7. **Economic background:** Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.
8. UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.
9. In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.
10. Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the International Labour Organization (ILO) unemployment rate dropping to 4.7% in February, its lowest level in 11 years.
11. Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.
12. **Financial markets:** Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.
13. After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.
14. Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to

gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

15. **Credit background:** Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.
16. Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.
17. None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

## Treasury Management Activity

### Debt Financing

18. The Council's debt financing position for 2016/17 is shown in Annex 1.
19. The option to fund new or replacement borrowing requirements from internal balances, up to the value of 15% of the investment portfolio was included in the 2016/17 annual treasury management strategy. This was intended to reduce the cost of carry of borrowing which is the difference between borrowing rates and investment returns. The 15% limit was reduced from 25% in 2015/16 due to the estimated reduction in cash balances over the medium term.
20. No new borrowing was arranged during 2016/17 with either the Public Works Loan Board (PWLB) or through the money markets.
21. At 31 March 2017, the authority had 63 PWLB loans totalling £335.383m, 9 LOBO<sup>1</sup> loans totalling £45m and one money market loan totalling £5m. The average rate of interest paid on PWLB debt was 4.53% and the average cost of LOBO debt in 2016/17 was 3.94%. The cost of debt on the one money market loan was 3.95%. The combined weighted average for interest paid on long-term debt was 4.54%.

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<sup>1</sup> LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

22. The Council continues to qualify for the Certainty Rate on PWLB loans, offering a 0.20% discount on the Standard Rate (currently gilts plus 1.00%). Qualification is based on provision of additional information on long-term borrowing and associated capital spending plans.

### **Maturing Debt**

23. The Council repaid £8m of maturing PWLB loans during the year. The weighted average interest rate payable on the matured loans was 5.025%. The details are set out in Annex 2.

### **Debt Restructuring**

24. In June 2016, the Council's LOBO with Barclays PLC was converted to a fixed rate loan at its current interest rate of 3.95% to mature on the 29<sup>th</sup> May 2065 with Barclays waiving their right to change the interest rate on the loan in the future.

### **Investment Strategy**

25. Security and liquidity of cash was prioritised above the requirement to maximise returns. The Council adopted a cautious approach to lending to financial institutions, and continuously monitored credit quality information regarding the institutions on the Council's approved Lending List.
26. During 2016/17 the Council limited the exposure to banks by lending to local authorities. At 31 March 2017 the Council had £75m of long term fixed deposits (deposits over 364 days), all of which were placed with local authorities. The aim was to maintain a high level of security and manage exposure to interest rate and counterparty risk.
27. The weighted average maturity of all deposits at 31 March 2017, including money deposited in short-term notice accounts, was 266 days (compared with 315 days during 2015/16). This comprised £240m fixed deposits with a weighted average maturity of 346 days, £29.8m in notice accounts with a weighted average maturity of 97.5 days and £53.622m invested in money market funds and call accounts with same day liquidity. The decrease in weighted average maturity was due to a combination of a reduction in the maximum limit for fixed deposits from £150m in 2015/16 to £100m in 2016/17 and continuing uncertainty throughout the year over the timing of a potential rise in the base rate.
28. The Council used fixed deposits, call accounts, notice accounts, money market funds and pooled funds to deposit its in-house cash surpluses during 2016/17.

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

29. The Council's in-house cash balances are deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is regularly updated during the year to reflect changes in bank and building society credit ratings. Changes are reported to the Cabinet on a regular basis as part of the Financial Monitoring & Business Strategy Delivery reports. The approved lending list may also be further restricted by officers, in response to changing conditions and perceived risk. Annex 3 shows the amendments incorporated into the Lending List during 2016/17, in accordance with the approved credit rating criteria and additional temporary restrictions.

## Investment Outturn

30. The average daily balance of temporary surplus cash invested in-house was £323m in 2016/17. The Council achieved an average in-house return for the year of 0.77%, producing gross interest receivable of £2.505m. Temporary surplus cash balances include: developer contributions; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on the average three month London Interbank Bid (LIBID) rate.
31. The sale of the Council's £17m investment in the Aberdeen Sterling Investment Cash Fund resulted in a realisable gain of £0.452m in 2016/17. Gross distributions from pooled funds totalling £1.062m were also realised in year, bringing total investment income to £4.019m. This compares to budgeted investment income of £3.160m, giving a net overachievement of £0.859m. The overachievement in income received was due to a combination of higher than forecast average cash balances and large distributions and realised gains from pooled funds. The 2016/17 accounts also recognise an increase in the value of available for sale assets of £0.805m.
32. As at 31 March 2017 the total value of pooled fund investments was £56.328m. This included an overall gain of £2.262m on the purchase value of the assets. Gains are held at the available for sale reserve and cannot be realised as investment income until the point at which fund units are sold.
33. During 2016/17 the average three month LIBID rate was 0.32%. The Council's average in-house return of 0.77% exceeded this benchmark by 0.45%. The average in-house return was 0.08% lower than the rate of interest of 0.85% assumed in the budget. The budget forecast was calculated prior to the EU referendum at which time Arlingclose were forecasting that a 0.25% increase in the UK Bank Rate would occur in the third quarter of 2016. However, due to ongoing economic uncertainty the Monetary Policy Committee instead chose to reduce the bank rate to 0.25% in August 2016.
34. The Council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During 2016/17 the average balance held on instant access was £64.38m.
35. At 31 March 2017, the Council's investment portfolio of £377.056m comprised £240m of fixed term deposits, £29.80m in notice accounts, £53.634m at short term notice in money market funds and call accounts and £56.622m in pooled funds with a variable net asset value (VNAV). Annex 4 provides an analysis of the investment portfolio at 31 March 2017.
36. The council's Treasury Management Strategy Team regularly monitors the risk profile of the Council's investment portfolio. An analysis of the credit and maturity position of the portfolio at 31 March 2017 is shown in Annex 4.

## External Fund Managers

37. In April 2016 the Treasury Management Strategy Team approved the decision to sell the Council's entire £17m investment in the Aberdeen Sterling Cash Fund. The sale resulted in a realisable gain of £0.452m.

38. During 2016/17, £0.041m of annual management charge rebate relating to the Threadneedle Strategic Bond Fund was automatically re-invested in the fund.

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

39. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Report. The outturn for the Prudential Indicators is shown in Annex 5.

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

40. The County Council is a member of the CIPFA Treasury and Debt Management Benchmarking Club and completed returns for the financial year 2016/17. The results of this exercise are not yet available.
41. The Council's treasury management advisors Arlingclose also benchmark the Council's investment performance against its other clients on a quarterly basis. The results of the quarter 4 benchmarking to 31 March 2017 are included in Annex 6.
42. The benchmarking results show that the Council was achieving higher than average interest on deposits at 31 March 2017, when compared with a group of 136 other local authorities. This has been achieved by placing deposits over a longer than average duration with institutions that are of higher than average credit quality.
43. Oxfordshire had a higher than average allocation to external funds, fixed and local authority deposits when compared with other local authorities in the benchmarking exercise. Oxfordshire also had a notably lower than average exposure to money market funds, call accounts and certificates of deposit.

### **Financial and Legal Implications**

44. This report is mostly concerned with finance and the implications are set out in the main body of the report.
45. The combined activities of debt and investment management contribute to the strategic measures element of the Council's budget. The outturn for Interest Payable in 2016/17 was £17.5m which is in line with the budget in the Medium Term Financial Plan.



## **RECOMMENDATION**

46. The Committee is **RECOMMENDED** to note the report, and to **RECOMMEND** Council to note the Council's Treasury Management Activity in 2016/17.

**Lorna Baxter**  
**Director of Finance**

**Contact officer: Joseph Turner**  
**Telephone Number: 07392 318984**  
**July 2017**

## OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2016/17

<u>Debt Profile</u>		£m
1. PWLB	87%	343.38
2. Money Market LOBO loans	12%	45.00
3. Money Market Fixed Rate loans	1%	5.00
4. Sub-total External Debt		393.38
5. Internal Balances	0 %	<u>-36.86</u>
<b>6. Actual Debt at 31 March 2016</b>	<b>100%</b>	<b>356.52</b>
7. Government Supported Borrowing		0.00
8. Unsupported Borrowing		8.73
9. Borrowing in Advance		0.00
10. Minimum Revenue Provision		<u>-15.00</u>
<b>11. Actual Debt at 31 March 2017</b>		<b>350.25</b>
<u>Maturing Debt</u>		
12. PWLB loans maturing during the year		8.00
13. PWLB loans repaid prematurely in the course of debt restructuring		<u>0.00</u>
<b>14. Total Maturing Debt</b>		<b>8.00</b>
<u>New External Borrowing</u>		
15. PWLB Normal		0.00
16. PWLB loans raised in the course of debt restructuring		0.00
17. Money Market LOBO loans		0.00
18. Money Market Fixed Rate loans		<u>0.00</u>
<b>19. Total New External Borrowing</b>		<b>0.00</b>
<u>Debt Profile Year End</u>		
20. PWLB	87%	335.38
21. Money Market LOBO loans	12%	45.00
22. Money Market Fixed Rate loans	1%	5.00
23. Sub-total External Debt		385.38
24. Internal Balances	0 %	<u>-35.13</u>
<b>25. Actual Debt at 31 March 2017</b>	<b>100%</b>	<b>350.25</b>

## Line

- 1-6. This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2016). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied and excess of creditors over debtors.
7. 'Government Supported Borrowing' is the amount that the Council can borrow in any one year to finance the capital programme. This is determined by Central Government, and in theory supported through the Revenue Support Grant (RSG) system.
8. 'Unsupported Borrowing' reflects Prudential Borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.
9. 'Borrowing in Advance' is the amount the Council borrowed in advance during 2016/17 to fund future capital finance costs.
10. The amount of debt to be repaid from revenue. The sum to be repaid annually is laid down in the Local Government and Housing Act 1989, which stipulates that the repayments must equate to at least 4% of the debt outstanding at 1 April each year.
11. The Council's total debt by the end of the financial year at 31 March 2017, after taking into account new borrowing, debt repayment and movement in funding by internal balances.
12. The Council's normal maturing PWLB debt.
13. PWLB debt repaid early during the year.
14. Total debt repaid during the year.
15. The normal PWLB borrowing undertaken by the Council during 2016/17.
16. New PWLB loans to replace debt repaid early.
17. The Money Market LOBO borrowing undertaken by the Council during 2016/17.
18. The Money Market Fixed Rate borrowing undertaken by the Council during 2016/17.
19. The total external borrowing undertaken.
- 20-25. The Council's debt profile at the end of the year.

## Long-term debt Maturing 2016/17

### Public Works Loan Board: Loans Maturing in 2016/17

<b>Date</b>	<b>Amount £m</b>	<b>Rate %</b>	<b>Repayment Type</b>
22/11/2016	2.000	7.750	Maturity
31/08/2016	4.000	5.000	Maturity
13/07/2016	0.500	2.350	EIP
13/01/2017	0.500	2.350	EIP
31/07/2016	0.500	2.350	EIP
31/01/2017	0.500	2.350	EIP
<b>Total</b>	<b>8.000</b>		

### Repayment Types

Maturity – Full amount of principal is repaid at the final maturity date

EIP – Equal Instalments of Principal are repaid every 6 months until the final maturity date

## Lending List Changes during 2016/17

## Lending limits &amp; maturity limits changed from 1 April 2016

	01/04/2016		31/03/2017	
	Lending Limit	Maximum Maturity	Lending Limit	Maximum Maturity
Santander UK plc – PF A/c	50% Pension Fund Portfolio	6 months	<b>£15,000,000</b>	6 months
Lloyds Bank plcs – Callable Deposit A/c (OXFORDCCPEN)	50% Pension Fund Portfolio	9 months	<b>£25,000,000</b>	<b>6 months</b>
Standard Life Sterling Liquidity Fund – (Pension Fund)	50% Pension Fund Portfolio	6 months	<b>£25,000,000</b>	6 months
Svenska Handelsbanken – Call Account (Pension Fund)	50% Pension Fund Portfolio	6 months	<b>£25,000,000</b>	6 months
Royal Bank of Canada	£25,000,000	364 days	<b>£15,000,000</b>	364 days

## Counterparties suspended from 1 April 2016

National Bank of Canada

## OXFORDSHIRE COUNTY COUNCIL INVESTMENT PORTFOLIO 31/03/2017

## Fixed term deposits held at 31/03/2017

Counterparty	Principal Deposited (£)	Maturity Date
City & County of Swansea	£3,000,000.00	24-Apr-17
Stirling Council	£3,000,000.00	23-May-17
United Overseas Bank	£5,000,000.00	26-May-17
West Dunbartonshire Council	£2,000,000.00	07-Jun-17
Police & Crime Commissioner for Northumbria	£5,000,000.00	30-Jun-17
Toronto-Dominion Bank	£5,000,000.00	14-Jul-17
Warrington Borough Council	£5,000,000.00	21-Jul-17
The Highland Council	£5,000,000.00	25-Jul-17
Lloyds Bank plc	£5,000,000.00	31-Jul-17
South Ayrshire Council	£5,000,000.00	04-Aug-17
DBS Bank (Development Bank of Singapore)	£5,000,000.00	04-Aug-17
Rabobank Group	£5,000,000.00	24-Aug-17
Surrey Heath Borough Council	£5,000,000.00	25-Aug-17
West Dunbartonshire Council	£5,000,000.00	25-Aug-17
Lloyds Bank plc	£5,000,000.00	08-Sep-17
Toronto-Dominion Bank	£5,000,000.00	11-Sep-17
Salford City Council	£2,000,000.00	13-Sep-17
Close Brothers Ltd	£5,000,000.00	15-Sep-17
Salford City Council	£2,000,000.00	20-Sep-17
Thurrock Council	£2,000,000.00	20-Sep-17
Salford City Council	£1,000,000.00	21-Sep-17
Salford City Council	£2,000,000.00	22-Sep-17
Toronto-Dominion Bank	£5,000,000.00	12-Oct-17
Canadian Imperial Bank of Commerce	£5,000,000.00	12-Oct-17
Fife Council	£5,000,000.00	24-Nov-17
Dundee City Council	£5,000,000.00	27-Nov-17
Rabobank Group	£5,000,000.00	29-Nov-17
North Tyneside Council	£5,000,000.00	18-Dec-17
Bank of Montreal	£5,000,000.00	04-Jan-18
Dorset County Council	£5,000,000.00	09-Jan-18
Lancashire County Council	£5,000,000.00	18-Jan-18
Exeter City Council	£10,000,000.00	01-Feb-18
Runnymede Borough Council	£5,000,000.00	09-Feb-18
Fife Council	£5,000,000.00	20-Feb-18
Stockport Metropolitan Borough Council	£5,000,000.00	09-Mar-18
Birmingham City Council	£5,000,000.00	19-Mar-18
Fife Council	£3,000,000.00	29-Mar-18
Lancashire County Council	£5,000,000.00	04-May-18
Fife Council	£10,000,000.00	26-Jun-18
Warrington Borough Council	£5,000,000.00	20-Jul-18
Glasgow City Council	£5,000,000.00	24-Jul-18
Glasgow City Council	£5,000,000.00	30-Jul-18
Fife Council	£2,000,000.00	07-Sep-18

Lancashire County Council	£5,000,000.00	15-Oct-18
Lancashire County Council	£5,000,000.00	15-Oct-18
The Highland Council	£10,000,000.00	01-Feb-19
Walsall Council	£5,000,000.00	13-Dec-19
Northumberland County Council	£8,000,000.00	20-Dec-19
Liverpool City Council	£5,000,000.00	10-Jan-20
Liverpool City Council	£5,000,000.00	20-Jan-20

**Total £240,000,000.00**

### Money Market Funds

Counterparty	Balance at 31/03/17 (£)	Notice period
Standard Life Sterling Liquidity Fund	25,000,000.00	Same day
Federated Sterling Liquidity Funds	12,000,000.00	Same day
LGIM Sterling Liquidity Fund – Class 4	16,622,000.00	Same day
<b>Total</b>	<b>53,622,000.00</b>	

### Notice / Call Accounts

Counterparty	Balance at 31/03/17 (£)	Notice period
Barclays 100 Day Notice	14,800,000.00	100 days
Barclays Current	92,211.15	Same day
Santander 95 Day Notice	15,000,000.00	95 days
<b>Total</b>	<b>29,892,211.15</b>	

### Short Dated Bond Funds

Counterparty	Balance at 31/03/17 (£)	Notice period
Federated Cash Plus Fund	2,057,478.72	2 days
Payden & Rygel Sterling Reserve Fund	12,424,349.55	2 days
Royal London Asset Mgmt Cash Plus Fund	5,000,204.53	2 days
<b>Total</b>	<b>19,482,032.80</b>	

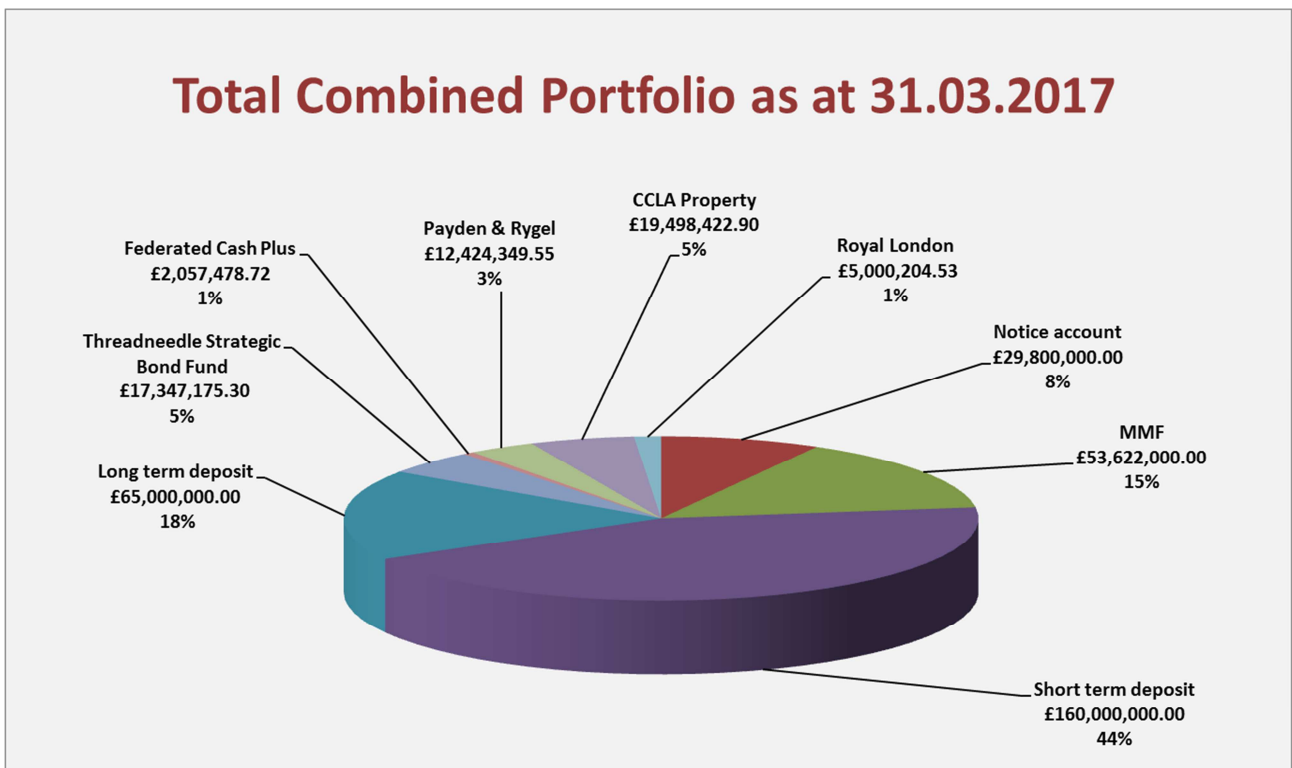
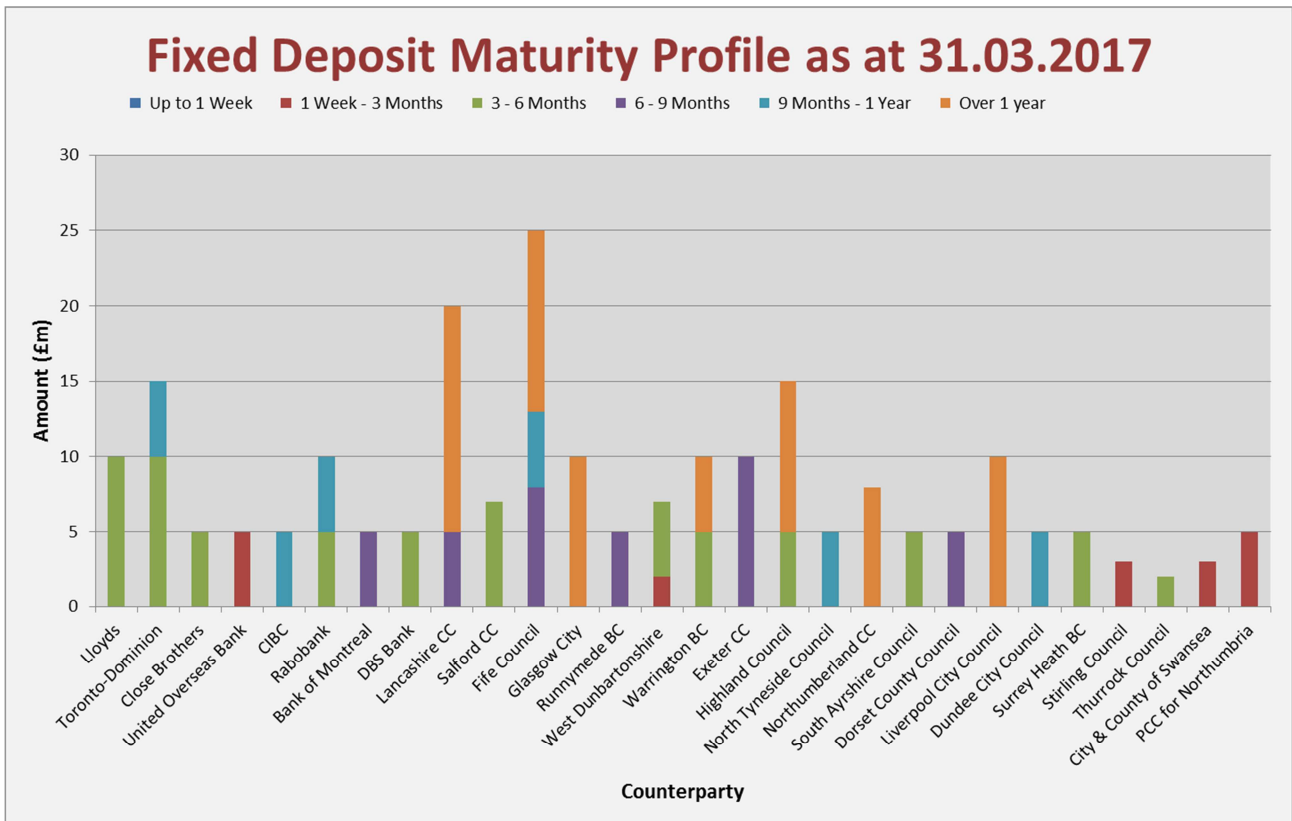
### Strategic Bond Funds

Counterparty	Balance at 31/03/17 (£)	Notice period
Threadneedle Strategic Bond Fund	17,347,175.30	4 days
<b>Total</b>	<b>17,347,175.30</b>	

### Property Funds

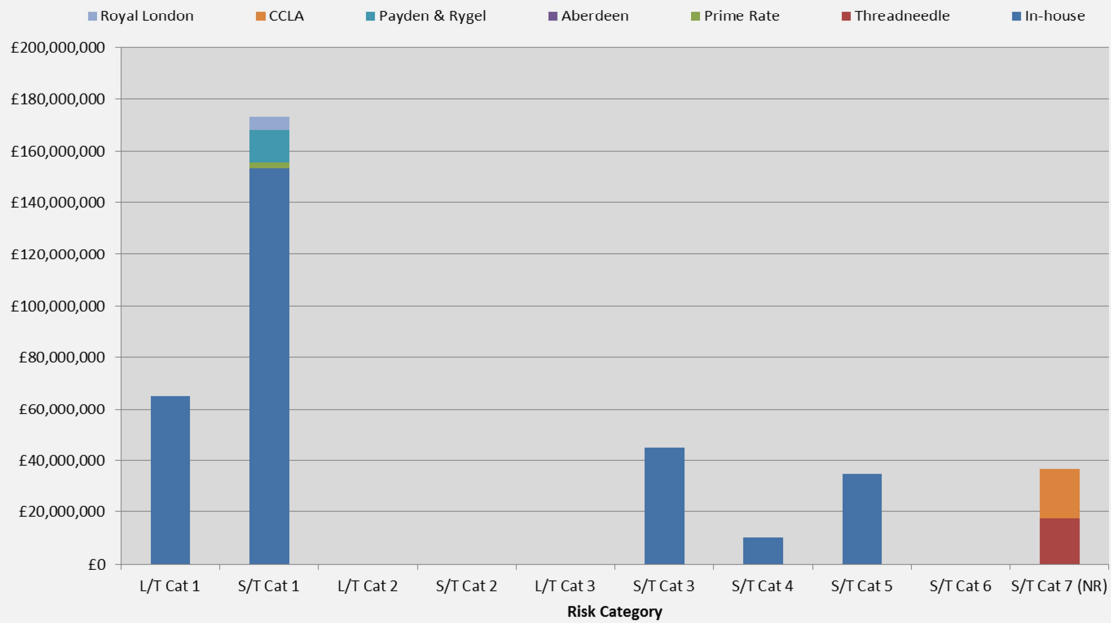
Counterparty	Balance at 31/03/17 (£)	Notice period
CCLA Local Authorities Property Fund	19,498,422.90	Monthly
<b>Total</b>	<b>19,498,422.90</b>	

## Risk profile of investment portfolio at 31/03/17





## Risk Profile - Total Combined Portfolio as at 31.03.2017



Risk Category	L/T rating	S/T rating
<b>1 (Including Local Authorities)</b>	AA+, AA	F1+
<b>2</b>	AA-	F1+
<b>3</b>	AA-	F1+
<b>4</b>	AA-	F1+
<b>5</b>	A+, A	F1
<b>6</b>	A	F1

Based on Fitch Ratings

**Prudential Indicators Outturn 31 March 2017****Authorised and Operational Limit for External Debt**

Authorised Limit for External Debt	£455,000,000
Operational Limit for External Debt	£450,000,000
Actual External Debt at 31 March 2017	£426,132,618

**Fixed Interest Rate Exposure**

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 31 March 2017	£100,382,618

**Variable Interest Rate Exposure**

Variable Interest Net Borrowing limit	0.00
Actual at 31 March 2017	- £39,091,842.15

**Sums Invested over 364 days**

Total sums invested for more than 364 days maximum limit	£100,000,000
Actual sums invested for more than 364 days at 31 March 2017	£75,000,000

**Maturity Structure of Borrowing at 31/03/17**

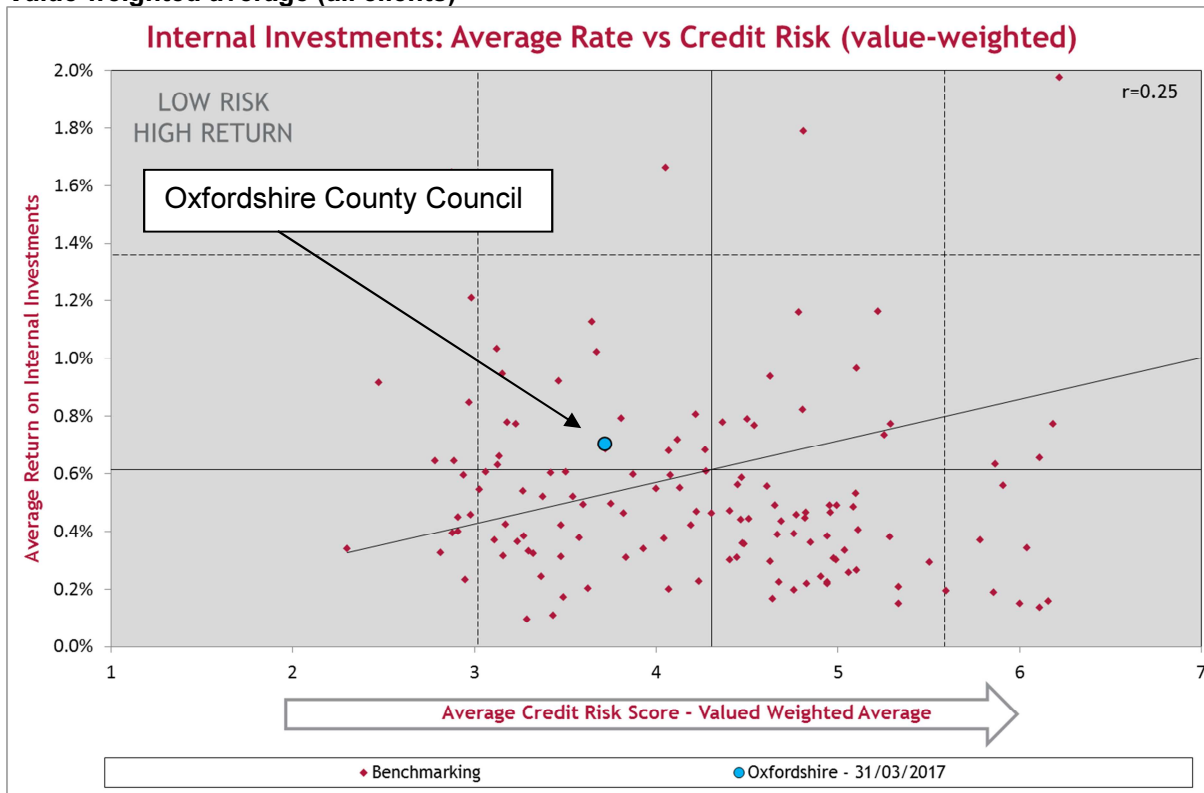
	Limit %	Actual %
From 01/04/17		
Under 12 months	0 - 20	0.00
12 – 24 months	0 - 25	11.16
24 months – 5 years	0 - 35	11.21
5 years – 10 years	5 - 40	11.69
10 years +	50 - 95	65.95

The Prudential Indicators for maturity structure are set with reference to the start of the financial year. The actual % shown above relates to the maturity period remaining at 01/04/16 on loans still outstanding at 31/03/17.

**Actual Maturity Structure of Borrowing at 01/04/17  
(LOBO's included at next option date)**

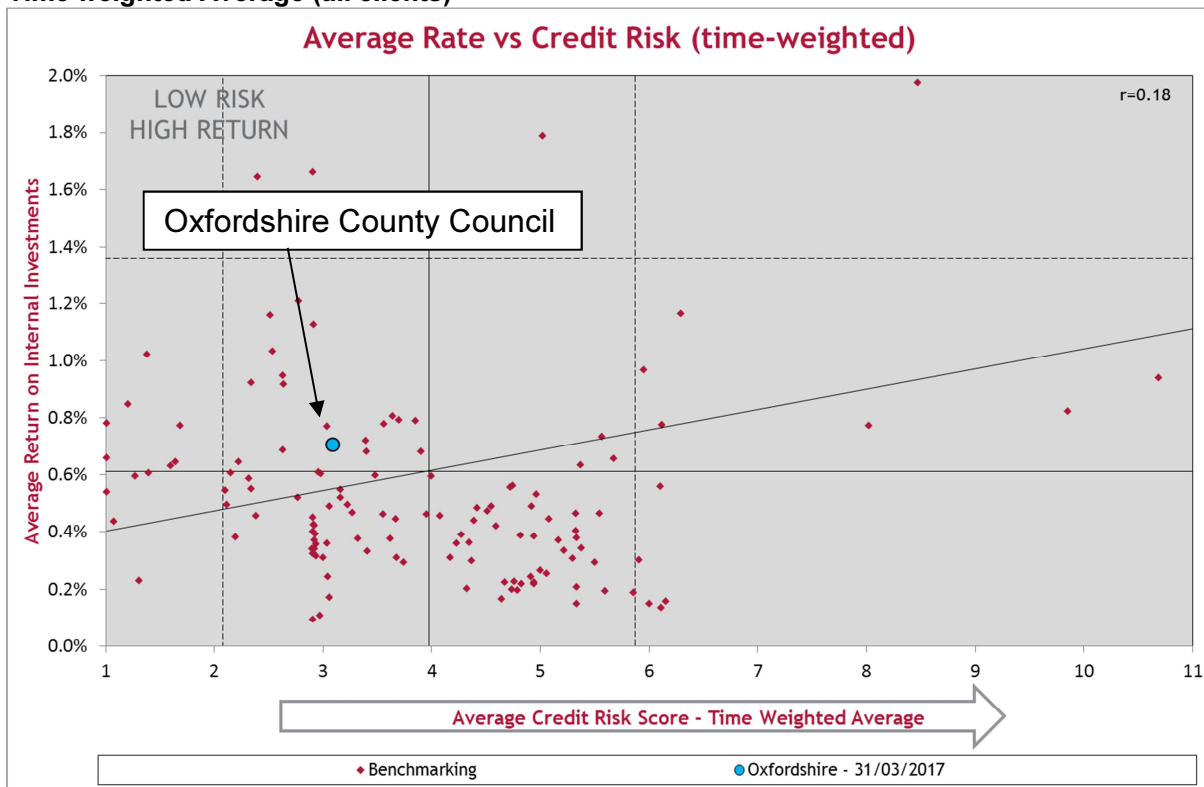
	Limit %	Actual %
From 01/04/17		
Under 12 months	0 - 20	11.16
12 – 24 months	0 - 25	7.52
24 months – 5 years	0 - 35	9.08
5 years to 10 years	5 – 40	15.57
10 years +	50 – 95	56.67

Value weighted average (all clients)



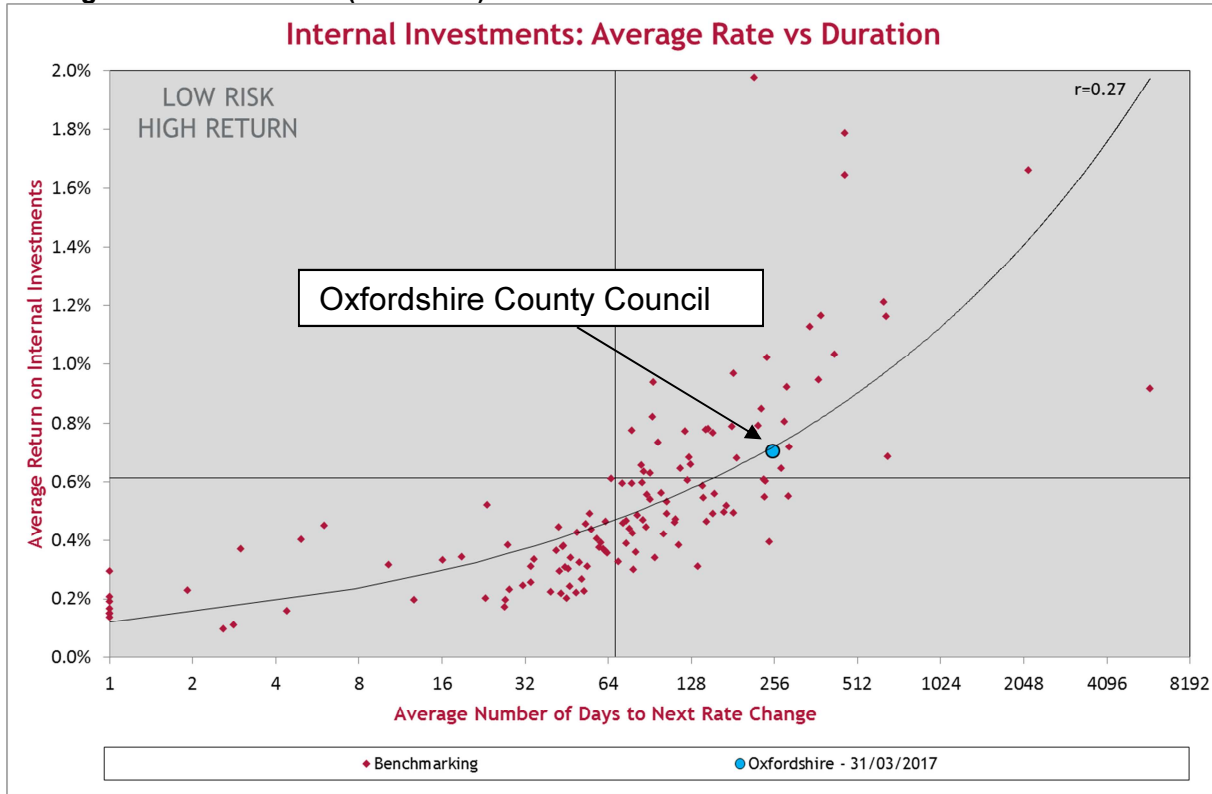
Oxfordshire County Council achieved a higher interest rate compared to the average achieved by all Arlingclose clients, whilst maintaining lower than average value weighted credit risk as at 31/03/2017.

Time weighted Average (all clients)



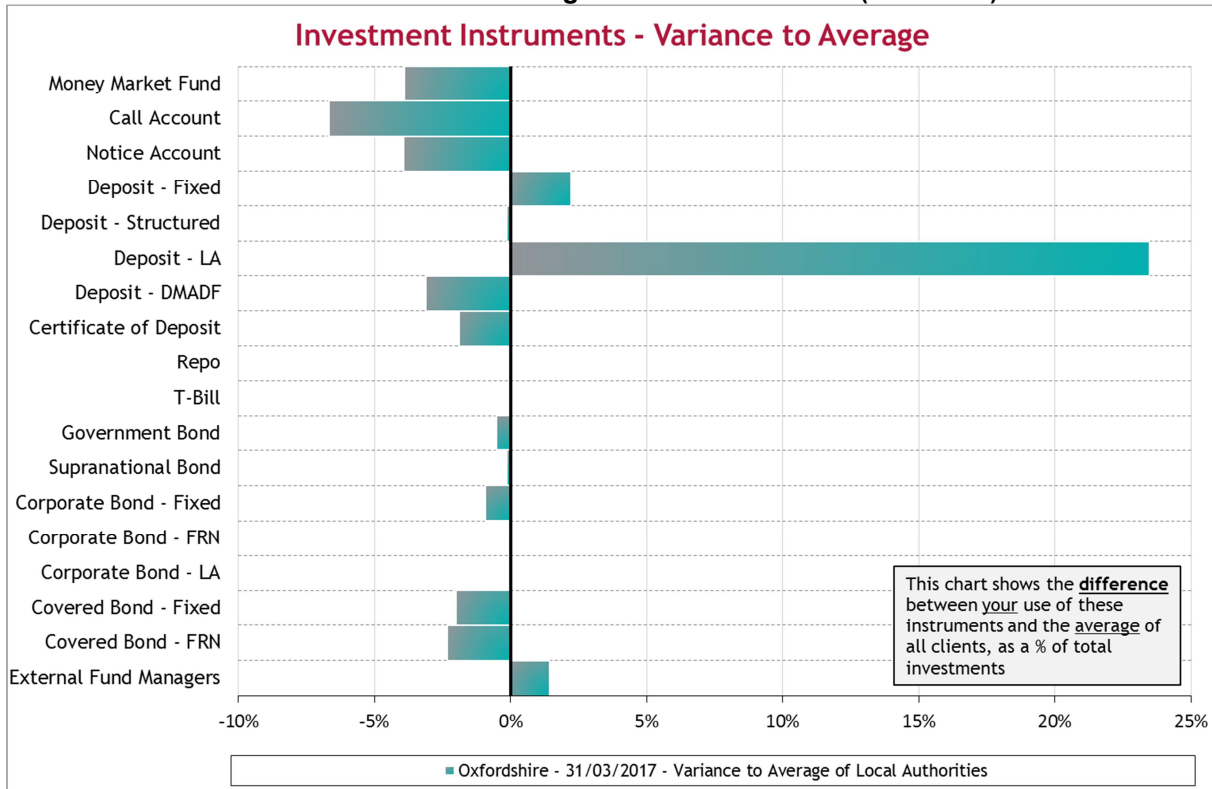
Oxfordshire County Council achieved a higher interest rate compared to the average achieved by all Arlingclose clients, whilst maintaining lower than average time weighted credit risk as at 31/03/2017.

**Average Rate vs. Duration (all clients)**



This graph shows that at 31/03/2017 Oxfordshire County Council achieved a higher than average return by placing deposits for longer than average duration.

**Investment Instruments – Variance to Average of Local Authorities (all clients)**



This graph shows that, at 31/3/2017, Oxfordshire County Council had notably higher than average allocations to external funds, fixed and local authority deposits when compared with other local authorities. Oxfordshire County Council also had notably lower exposure to money market funds, call accounts and certificates of deposit.

## **AUDIT and GOVERNANCE COMMITTEE – 5 JULY 2017**

### **Internal Audit Charter**

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

#### **Introduction**

1. This report presents both the Internal Audit Charter and the Quality Assurance and Improvement Programme.

#### **Internal Audit Charter**

2. The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These are the first Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority. The Oxfordshire County Council Internal Audit Charter is included within Appendix 1.
3. The Charter sets out the purpose, authority and responsibility of Oxfordshire County Council's Internal Audit function, in accordance with the PSIAS. The Charter establishes the position of Internal Audit within the organisation, access and reporting requirements. It also outlines the key responsibilities of the Audit & Governance Committee.
4. This Internal Audit Charter is subject to approval by the Audit & Governance Committee of Oxfordshire County Council on an annual basis, in line with PSIAS requirements. (This was last approved by the Committee July 2016)

#### **Quality Assurance Improvement Programme (QAIP)**

5. The PSIAS require that the internal audit activity maintain a Quality Assurance and Improvement Programme (QAIP). This is included within Appendix 2.
6. The Chief Internal Auditor is required to communicate to senior management and the Audit & Governance Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. The QAIP details what will be reported to the Audit & Governance Committee and the frequency.
7. The PSIAS require that an external assessment will be conducted every 5 years by a qualified, independent assessor from outside the Council. CIPFA have been commissioned to undertake this assessment at Oxfordshire County

Council during November 2017. The assessment will be in the form of a self-assessment with independent external validation. Lorna Baxter, Director of Finance is the nominated sponsor for the external assessment. The results of the assessment will be reported back to the Audit & Governance Committee.

8. An area identified as non-conformance with the standards and reported to the Committee in July 2016 was that the Internal Audit Procedures manual required review and updating. This was completed in September 2016 and is now subject to annual review, so will be updated again for September 2017.

## **RECOMMENDATION**

9. **The committee is RECOMMENDED to:**

- a) **Approve the Internal Audit Charter; and**
- b) **Note the Quality Assurance and Improvement Programme.**

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)

# **Oxfordshire County Council Internal Audit Charter**

## **Introduction**

The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These are the first Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority.

The Standards form part of the wider mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework which includes the mission, core principles, definition of Internal Audit and Code of Ethics.

This Charter sets out the purpose, authority and responsibility of Oxfordshire County Council's Internal Audit function, in accordance with the PSIAS.

This Internal Audit Charter has been drawn up in line with the PSIAS requirements and replaces all previous Internal Audit Terms of Reference.

This Internal Audit Charter is subject to approval by the Audit & Governance Committee of Oxfordshire County Council on an annual basis, in line with PSIAS requirements.

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## **Definition of Internal Audit**

Oxfordshire County Council has adopted the PSIAS definition of internal auditing as follows:

*"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the operations of Oxfordshire County Council. It helps Oxfordshire County Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".*

## ***Mission of Internal Audit***

Oxfordshire County Council has adopted the PSIAS mission of internal auditing as follows:

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## ***Core Principles***

To achieve Internal Audit's mission the following core principles for the professional practice of Internal Auditing are present and applied by Oxfordshire County Council Internal Audit:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of Oxfordshire County Council.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

## ***Code of Ethics***

Oxfordshire County Council has adopted the PSIAS Code of Ethics:

### Integrity

- The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement

### Objectivity

- Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.



## Confidentiality

- Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal obligation to do so.

## Competency

- Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.
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## **Statutory Requirement**

Section 151 of the Local Government Act 1972 requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs." In Oxfordshire County Council, that officer is the Director of Finance.

Specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Any officer or member of a relevant body must, if the body requires:

- a. make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
- b. supply the body with such information and explanation as that body considers necessary for that purpose.

In accordance with these regulations, internal audit staff should have access to any financial or non-financial records maintained by the council, or its partners in delivering council services, that are relevant to the audit activity being performed.

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## **Definition of the Chief Audit Executive (CAE)**

Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. Within Oxfordshire County Council the Chief Internal Auditor is the designated 'Chief Audit Executive'

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## Definition of the Board

The PSIAS lays out the role of a Board in relation to specific standards. In a local authority the role of the Board may be satisfied by an Audit Committee. In Oxfordshire Council the Audit & Governance Committee, for the purposes of the key duties laid out in the PSIAS, is the Board.

The key duties of the Board (Audit & Governance Committee) as laid out in the PSIAS are as follows:

- Approve the Internal Audit charter
- Approve the risk based Internal Audit plan including the approval of the Internal Audit budget and resource plan
- Receive communications from the Chief Internal Auditor on internal audit's performance relative to its plan and other matters
- Receive an annual confirmation from the Chief Internal Auditor with regard to the organisational independence of the internal audit activity
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor.
- Make appropriate enquiries of the management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.

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## Definition of Senior Management

The PSIAS anticipates the role of Senior Management includes the following:

- Input to the risk based Internal Audit plan
- Receive periodic reports from the Chief Internal Auditor on internal audit activity, that includes follow up reports
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor

Within Oxfordshire Council 'Senior Management' is defined as the Section 151 Officer (Director of Finance)

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## Professionalism

Oxfordshire County Council Internal Audit will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

Oxfordshire County Council Internal Audit maintains an Audit Procedures Manual which is consistent with PSIAS requirements. These procedures are applied for all audit engagements.

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## **Authority**

Oxfordshire County Council Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to, and communicate and interact directly with, the Audit & Governance Committee.

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## **Organisation**

The Chief Internal Auditor will report functionally to the Audit & Governance Committee, for example approving the charter and internal audit plan, and administratively to the Director of Finance & Assistant Chief Finance Officer (Assurance), such as approving the internal audit activity's HR administration and budgets.

The Chief Internal Auditor will communicate and interact directly with the Audit & Governance Committee, including in executive sessions and between meetings as appropriate.

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## **Independence and objectivity**

The internal audit activity within Oxfordshire County Council will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited within Oxfordshire County Council. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal Audit will ensure through the planning and resourcing process that any potential conflicts of interest are recognised and addressed through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles and/or undertaken consulting activity and that

responsibilities for audit assignments are rotated periodically within the internal audit team.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal auditors will disclose any impairment of independence or objectivity, in fact or appearance, to the appropriate parties.

The Chief Internal Auditor will confirm to the Audit & Governance Committee, at least annually, the organisational independence of the internal audit activity.

The Chief Internal Auditor will disclose to the Audit & Governance Committee any interference and related implications in determining the scope of internal auditing, performing work, and communicating results.

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## **Responsibility- Scope & Objectives**

Internal audit is an assurance service that provides an independent and objective opinion to the council on the control environment comprising risk management, performance, control and governance by evaluating the effectiveness in achieving the organisation's objectives. Internal Audit objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit Services is accountable to the Director of Finance (Section 151 Officer) for the terms of reference, scope and coverage of its audit activities. In addition there is a responsibility to those charged with corporate governance being the council (through the Audit & Governance Committee and Audit Working Group) and the Head of Paid Service to give an annual opinion on the whole system of internal control and to support the Monitoring Officer in respect of matters of standards/ legality.

The council's external auditor relies on Internal Audit to undertake a continuous programme of audits of key corporate controls. Also, due priority needs to be given to the key strategic risks of the council including the requirements of the Section 151 Officer. Audit work is included to ensure an opinion can be given on the whole of the control environment. These priorities constitute most of the Annual Plan the balance being risks identified by Internal Audit. The Chief Internal Auditor collates an annual report on the effectiveness of the council's internal control environment.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit & Governance Committee or management, as appropriate.

Based on its activity, Internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit & Governance Committee and to Senior Management, including fraud risks, governance issues, and other matters needed or requested.

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## **Internal audit plan**

At least annually, the Chief Internal Auditor will submit to the Audit and Governance Committee an internal audit plan for review and approval. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to senior management and the Audit & Governance Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management, including the Director of Finance, Directors, Deputy Directors and Finance Business Partners. It will be developed in accordance with the Internal Audit Charter and will link to the strategic objectives and priorities of Oxfordshire County Council. Prior to submission to the Audit & Governance Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

The audit plan is dynamic in nature and will be reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. It will be based on a risk assessment that covers financial materiality and business risks as well as any suspected or detected fraud, corruption or impropriety that has come to the attention of the Chief Internal Auditor.

Internal Audit will consult with the Council's external auditor and with other relevant inspection/assurance and review bodies, as required, in order to co-ordinate effort, ensure adequate coverage and minimise any duplication.

As part of the planning process, the Chief Internal Auditor will identify other potential sources of assurance and will include in the risk based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

For each audit assignment, Internal Auditors will develop and document a plan including the objectives of the review, the scope, and timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with the auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes.

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## **Reporting and monitoring**

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit & Governance Committee. The internal audit report will include an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and management actions agreed for the weaknesses identified, along with timescales for implementation. The final report will be issued to the relevant Director, Director of Finance and other officers in line with directorate protocols.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and monitoring and reporting on the implementation of management actions.

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## **Arrangements for appropriate resourcing**

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. All Internal Auditors will hold a professional qualification or be training towards a professional qualification.

In the event that the risk assessment, carried out to prepare the annual plan, identifies a need for more audit work than there are resources available, the Chief Internal Auditor will identify the shortfall and advise the Director of Finance followed by the Audit & Governance Committee as required to assess the associated risks or to recommend additional resources are identified.

The audit plan will remain flexible to address unplanned work including responding to specific control issues highlighted by senior management during the year.

Internal audit work is prioritised according to risk, through the judgement of the Chief Internal Auditor, informed by the Council's risk registers and in consultation with senior management and External Audit.

All internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This is fulfilled through the requirements set by professional bodies and through the Council's appraisal and development programme.

## **Fraud and Corruption**

The County Council is one of the largest business organisations in Oxfordshire. In administering its responsibilities; the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective Anti-Fraud and Corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.

The Council's Anti-Fraud and Corruption Strategy, sets out responsibilities in this area.

Internal Audit within Oxfordshire County Council is responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence. Internal Audit maintains the fraud log for Oxfordshire County Council. Internal Audit undertakes investigations into potential financial irregularities. In some circumstances this may be delegated to the service itself following an assessment of risk and financial impact.

Internal Audit also facilitates Oxfordshire County Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

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## **Definition of Assurance Services**

The PSIAS defines assurance services as follows: *"An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation."*

Internal Audit provide this assurance across all parts of the Council reviewing the Council's "control environment" comprising risk management, control and governance, this enables the Chief Internal Auditor to provide an annual opinion on the effectiveness of these arrangements. This opinion supports the Council's Annual Governance Statement.

## **Definition of Consulting Services**

The PSIAS defines consulting services as follows: *"Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management*

*and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”*

The PSIAS requires that approval must be sought from the Audit & Governance Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. Within Oxfordshire County Council significant is defined as any single assignment equivalent to 5% of annual planned days; these will be brought to the Audit & Governance Committee for approval.

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## **Quality assurance and improvement programme**

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity, and evaluates the activity's conformance with the Standards and application of the Code of Ethics. As such, the programme assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Internal Auditor will communicate to senior management and the Audit & Governance Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. Disclosure will include:

- The scope and frequency of both internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

The results of the quality assurance and improvement programme and progress against any improvement plans must also be included in the annual report.

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### **Signed by:**

Sarah Cox, Chief Internal Auditor

Lorna Baxter, Director of Finance

Councilor Nick Carter, Chairman of the Audit & Governance Committee

Date approved: 5 July 2017 (Audit & Governance Committee)

Date of next review: July 2018



## **Oxfordshire County Council Internal Audit - Quality Assurance and Improvement Programme**

### **Introduction**

Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of Oxfordshire County Council Internal Audit Service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving the service it provides.
- The Chief Internal Auditor is ultimately responsible for maintaining the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

### **Internal Assessments**

Internal Assessment is made up of both ongoing reviews and periodic reviews.

#### **Ongoing Reviews**

Ongoing assessments are conducted through:

- Supervision of audit engagements
- Regular, documented review of work papers during engagements by appropriate Internal Audit staff
- Applying relevant audit policies and procedures, including those set out in the Oxfordshire County Council Internal Audit Manual, to ensure applicable audit planning, fieldwork and reporting quality standards are met
- Review of all audit reports and agreed management actions by the Chief Internal Auditor prior to formal circulation.

- Feedback from Customer Satisfaction Questionnaires (CSQs) on individual audit assignments
- Established key performance indicators (KPIs) designed to improve Internal Audit's effectiveness and efficiency. These are signed off each year by the Audit & Governance Committee.
- Corporate performance monitoring
- In assigning audit work to an individual auditor consideration is given to their level of skills, experience and competence and an appropriate level of supervision exercised
- Feedback from CSQs, performance against KPIs and reviews of working papers and audit reports will form part of the discussion during regular meetings / 12:3:2 appraisal/121 discussions.

### Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Chief Internal Auditor / Principal Auditor file reviews to ensure performance in accordance with Internal Audit's Quality Procedures Manual.
- Review of internal audit Key Performance Indicators by the Chief Internal Auditor on a monthly basis, including elapsed time between start of audit and exit meeting, elapsed time between exit meeting and issue of draft report, elapsed time between issue of draft report and issue of final report, % of planned activity completed and % of management actions implemented.
- Quarterly activity and performance reporting to the Audit and Governance Committee and Section 151 officer.
- Annual self-review of conformance with the Public Sector Internal Audit Standards. Any resultant action plans will be monitored by the Chief Internal Auditor on a quarterly basis.
- Independent annual review of the effectiveness of Internal Audit by the Council's Monitoring Officer, with results reported to and reviewed by the Audit and Governance Committee.

## **External Assessment**

External assessments will appraise and express an opinion about Internal Audit's conformance with the Standards, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The

format of the external assessment will be discussed with the Audit & Governance Committee.

## **Reporting**

Internal Assessments – Quarterly activity and performance reporting to the Audit and Governance Committee and Section 151 officer.

External Assessments – results of external assessments will be reported to the Audit & Governance Committee and Section 151 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow Up - the Chief Internal Auditor will implement appropriate follow-up actions to ensure that action plans developed are implemented in a reasonable timeframe.

### **Signed by:**

Sarah Cox, Chief Internal Auditor

Lorna Baxter, Director of Finance

Date approved: July 2017

Date of next review: July 2018

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## Oxfordshire County Council

Audit and Governance Committee

Progress Report

July 2017



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

12 July 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 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 started testing them.

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

Our IT audit specialists have reviewed controls over the main financial systems run by the IBC and have concluded that we can rely on them subject to completion of year-end testing.

We have concluded our work assessing IT controls in the Liquidlogic Adults' Social (LAS) system and the ContrOCC Adult Social Care system. We have tested the design procedures and have concluded they are effective. We have identified a number of improvement recommendations and we have issued our draft report on 9 June 2017 to Lindsay Russell - ICT Business Services Manager.

The positive outcomes of this work will allow us to rely on controls and reduce our substantive testing in these areas.

We have completed early final accounts work on:

- changes to the way that the information in the Comprehensive Income & Expenditure Statement is presented - no issues to report;
- reviewing going concern – no issues to report;
- exit packages - we will conclude when final payments agreed but no issues arising; and
- Plant Property and Equipment existence testing – no issues to report.

We have completed our initial work on the LOBO objection and confidentially discussed our draft findings with officers and anticipate sharing our provisional views shortly.

### 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.

### PSAA Tender update

PSAA announced the outcome of the recent tender of external audit services for Local Government authorities on 20 June 2017. EY won Lot 2 which equates to about 30% of the market share in line with our current workload. The contracts will cover a five year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two year period, to a total of seven years, if it chooses to do so.



PSAA will begin a consultation process leading to the appointment of named audit firms to each individual authorities. All appointments will be finalised by 31 December, 2017. The appointments process will then be followed by a consultation focusing on the change to scale fees payable by authorities. Current estimates point to a possible fee reduction of the order of 18%.

Full details can be found via the following link:

<http://www.psa.co.uk/press-release-procurement-of-audit-services-delivers-outstanding-results/>

## 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 &amp; Governance 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

EY | Assurance | Tax | Transactions | Advisory

## Ernst & Young LLP

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Division(s):

## AUDIT & GOVERNANCE COMMITTEE – 5 JULY 2017

### Hampshire Partnership - Update

#### Report by Director of Finance

#### Introduction

1. In January 2017 the Audit and Governance Committee received two updates with regard the Hampshire Partnership and the operations of the Integrated Business Centre (IBC). The first was included within the Financial Control Improvement report, and the second was a specific update on the HR Services. This report is for the first time combining the update on both the HR and Finance services being provided.
2. The previous reports highlight two key areas in the operations that were subject to independent review:
  - (a) Payroll Configuration; and,
  - (b) Customer Service Centre.

The outcomes of these reviews have now been concluded and a summary is provided later in this report.

3. In summary overall the partnership governance has been working effectively over the past six months, and there is more open and constructive dialogue on issues arising and improvement opportunities. The Partnership will shortly be signing off agreement to a major IBC Customer Service Improvement Programme that we are fully involved with and will be supporting to ensure that it delivers on the significant improvements required. Quality of customer service remains the key issue for OCC and our staff.

#### Update on Independent Reviews

##### Payroll Configuration

4. As previously reported to the Committee there had been difficulties experienced in providing the Pensions team with accurate and timely reports. In October further concerns were escalated by the Pension Team to the Director of Finance and the Director of HR. The concerns highlighted suspected errors in the configuration of the payroll system in specific areas of the calculation of pensionable pay. It should be noted that the errors identified were not material in value; however, following various discussions with the IBC at both an operational and senior management level, it was agreed that due to the persistent issues arising, and lack of satisfactory resolution, there was a lack of confidence in the assurance over the accuracy of the system configuration, change control process and operations.

5. Under the direction of their Chief Internal Auditor, Hampshire County Council commissioned an independent payroll and pension's subject matter expert to undertake a review, and to provide assurance over the accuracy and integrity of the system and processes. A summary report of the findings and action plan is attached as Annex 1 to this report.
6. Although the review identified no major issues there were a number of recommendations made which have been implemented; however, resolving the original errors arising from the configuration issues has not yet been concluded.
7. The review highlighted staff development was needed at an operational level to understand the system configuration and how it impacts the payroll records being updated. This will be on-going and therefore it will be some time before we are comfortable with the level of assurance from the IBC operation alone. In the interim we have retained the services of our "subject matter expert" to provide quality monitoring and review.
8. In addition a new Pensions and Payroll Working Group has been set up, and is meeting monthly with key colleagues from both OCC and the IBC (including our subject matter expert) to discuss any emerging issues and to ensure actions arising are concluded quickly and accurately.

### **Customer Service**

9. In the final quarter of 2016, the Hampshire Partnership (including OCC) commissioned an external consultant, Deliberata, to undertake a full review of the IBC customer service model in light of concerns that it was not performing effectively. The initial work included a comprehensive survey of "customers" (internal users) from all four partners, (Hampshire County Council, Hampshire Constabulary, Hampshire Fire and Rescue, and OCC). The evidence from that survey, consistent across all partners, was one of major dissatisfaction with the service.
10. Deliberata made a series of strategic recommendations for improvement identifying weaknesses across the partnership in areas such as governance and communication, along with more specific areas for improvement for example self-service, enquiry management, performance, and technical development.
11. Subsequently a new Customer Services Manager has been appointed and is part of the IBC Strategic Management Board.
12. The outcome of the Deliberata review has been the development of a Customer Service Improvement Programme. The programme plan is due to be signed off by the Strategic Partnership Board in July, but work on engagement with partners, procurement and implementation of new technology has already started.
13. The Programme has three core objectives:

- Overcoming customer challenges
- Delivery of the operating model, including good governance
- Focus on the customer whilst continuing to drive up performance and efficiency.

Deliberata will continue to provide external objective oversight of the programme to ensure that all partner organisations and customers have confidence they are being represented.

14. All partners are in agreement this programme is a priority, and at OCC we have established our own project lead to ensure we are enabling delivery. Crucially there is recognition of the need to fully engage with partners in the co-designing of solutions.
15. A new governance structure has been drafted to run consistently across all partnerships. The model has been built around the good practice adopted between OCC and the IBC over the last 12 months
16. In conjunction with this Programme, the OCC project lead is also undertaking some end to end process reviews looking at the managers role and responsibilities within that process, to determine whether it is the most efficient and effective approach. The outcome of this work will be used to inform discussions with the IBC in respect of the customer service improvement. Within OCC this activity is all coming under the governance of our Transformation Programme, and specifically under the Business Efficiencies work stream.
17. The initial focus of the management process reviews will be activity relating to the updating of organisational management data, for example leavers and recruitment. Organisation Management data was an area identified for action in the Annual Governance Statement, and recruitment process is an area highlighted as not working effectively and too time consuming.

### **Finance update**

18. There have been no material issues or concerns regarding the Finance operations.
19. There are two functional areas within Finance, Purchase to Pay (P2P) and Order to Cash (O2C) (Income and banking) where the professional leads from OCC and IBC meet monthly to discuss performance and issues arising. Within these groups they agree tactical and strategic solutions to any problems identified, or areas for improvement.
20. These meetings are proving very successful, and whilst there is always room for improvement, the issues are being managed, and those that take time to resolve are not material in impact or value.
21. The key focus for these groups at the moment are:

- Vendor and customer master data cleansing.
- Implementation of the Supplier Portal enabling self-service to changes of master data.
- Introduction of prepaid cards
- Continuous improvement on reducing aged debt
- Continuous improvement on improving aged creditors
- Introduction of on-line payments (within OCC)

### **HR Update**

22. The Hire to Retire (H2R) Functional Review Group meets monthly, and as previously mentioned in this report, payroll and pensions matters are now discussed separately in a newly formed functional review group.
23. Similar to Finance, the Functional Review Groups are operating well; however the H2R systems and operations remain resource intensive for the Strategic HR function in OCC, and for our staff. A successful outcome of the customer service programme will be a significant reduction in time taken to resolve H2R related queries and errors.
24. Recruitment system and organisational management data remain the two key strategic issues of focus for the H2R Functional Review Group.
25. There remains a large volume of activity relating to restructures within OCC. The process requires significant planning and resource to effect the changes as the collection of change data is large, it is a manual process and is therefore higher risk of error; there is also a long lead in time required by the IBC. Multiple teams are involved as in order to ensure an employee can operate in a new post it requires the alignment of changes to the finance hierarchy and the organisation hierarchy.
26. The time lag in this process and examples of it not being right first time is causing management issues within services. It is an end to end process that needs a strategic review; however as an interim measure we have offered to the IBC that we process the changes using the expertise we have available within OCC. This has been accepted and we are now working through the details to ensure this approach has the right governance and control.



## RECOMMENDATION

27. **The Committee is RECOMMENDED to:**
- (a) note the report;**
  - (b) Confirm whether updates are required routinely and at what frequency, or reported by exception should material issues arise;**
  - (c) Agree to receive a detailed presentation on the Customer Service Improvement Programme.**

Lorna Baxter  
Director of Finance

Background papers: None

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

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**Review of Oxfordshire County Council  
Payroll Configuration - Final**

**March 2017**

**Southern Internal  
Audit Partnership**

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Assurance through excellence  
and innovation

## 1. Introduction

- 1.1 Oxfordshire County Council (OCC) on-boarded to the Integrated Business Centre (IBC) operating model in July 2015. The existing payroll operating model is underpinned by the design and build of a SAP payroll solution, which included a full fit gap analysis, data validation and sign off and User Acceptance Testing (UAT) of payroll outputs at the time of OCC on-boarding.
- 1.2 Following two issues relating to the treatment of Assumed Pensionable Pay raised by OCC through formal governance channels a review was commissioned to provide assurance in respect of the payroll configuration.
- 1.3 To retain independence a payroll and pensions Subject Matter Expert (SME), Phillip Reynolds; and James Short, Senior IT Auditor from the Southern Internal Audit Partnership were commissioned to undertake the assurance work with a direct reporting line to the Head of Southern Internal Audit Partnership.

## 2. Scope

- 2.1 The scope of the review was agreed by the Partnership Management Group to provide assurance on:
  - the configuration of the payroll solution to calculate, action and report statutorily compliant payroll transactions; and
  - future configuration changes are processed accurately and in a compliant manner to ensure changes are fully tested prior to release.



Chartered Institute of  
Internal Auditors

The Southern Internal Audit Partnership conforms to the IIA's professional standards and its work is performed in accordance with the International Professional Practices Framework (*endorsed by the IIA*).

### 3. Executive Summary

#### **Configuration of the payroll solution to calculate action and report statutorily compliant payroll transactions**

- 3.1 Extensive testing was completed confirming that the payroll is configured accurately and in accordance with relevant Government legislation. Real time scenarios using the December 2016 and January 2017 pay runs were tested, and payroll input, changes and statutory calculations were checked including a sample of starters, leavers and maternity cases.
- 3.2 In total 12,125 payments were made through the payroll in December 2016 with a 0.01% error rate. The notably low error rate was identified and rectified through established business as usual processes. Beyond the issues identified at the commencement of this work, there were no significant issues identified impacting on the IBC's ability to fulfil its obligations. An examination of KPI's over the last 12 months show payroll error rates for OCC at the final pay run stage of between 0.00% and 0.11%. This low error rate provides an additional high level of assurance.
- 3.3 Through internal processes it was identified that the incorrect percentage of employee pension contributions had been calculated for some supply teachers in the Teachers Pension Scheme (TPS) due to the employee contribution being allocated (in isolated cases) to the wrong banding. . A further 'fix' is to be applied and retrospective action taken before the financial year end.
- 3.4 The IBC was found to be supported by staff with a strong and resilient level of knowledge, qualification and experience. Such support was found to be less resilient with the Pension Administration Team in which two key member of staff play a pivotal role in supporting processes both of which are likely to be absent for a prolonged period, albeit plans are in place to cover these key roles.
- 3.5 Communication between OCC and the IBC was generally found to be effective with demonstrable areas of good practice, however, it was observed that the Pension Administration Team(s) would benefit from practices followed in other areas. Additionally enhancements could be made in respect of the expediency of issue / query resolution.
- 3.6 Opportunities have been identified during the course of this review where consideration could be given to automate / streamline some processes to enhance efficiencies and/ or negate manual intervention, most notably in respect of payment entitlements for Retained Fire Fighters and the transfer of MARS data files.

### Configuration changes processed accurately and change control process for first time events

- 3.7 Overall testing found documentation defining configuration change and authorisation to be well controlled and compliant with pay and pension rules. This was maintained by the well managed application of SAP support packs.
- 3.8 The current staff involved from both the IT and IBC as part of testing support packs and individual changes have a high level of knowledge and experience within the pensions and payroll sector. However, concerns were raised over resilience and succession planning in the IBC for specialist areas such as teacher’s pensions.
- 3.9 A report with recommendations to improve the testing processes for IBC systems was approved in October 2016. Actions from that review have been implemented to effect significant improvements including: monthly release cycle; better communication of releases; and introduction of comprehensive test plan and test script documents. There remain four actions (out of 14) that have yet to be fully implemented albeit these are less significant to the change process.
- 3.10 There is a split between approaches taken to testing by the H2R Transactional and the Technical Payroll and Pensions Administration teams with the former maintaining a testing co-ordinator and use of test script templates. Both section’s manual procedures require review and update and this is underway for H2R but yet to be started for the pay and pensions teams.
- 3.11 The process for coordinating testing in the IBC is not documented to provide consistency and resilience. Testing is based on scenarios agreed for each change request. Staff knowledge alongside SAP reports are used to build the test scripts, however, there is no standard documentation of scenarios or difficult individual cases to include in testing of payroll changes by the IBC. Assurance was attained that local knowledge and SAP reports were used to identify these currently, but concerns were raised with regard maintaining good practice for the future if key staff leave.
- 3.12 Configuration changes were in some cases exceeding the “Importance” time target they had been designated by between two and eight months. Sometimes this was due to the complexity of the issue but we also found that delays (one to two weeks) were due to a lack of timely response in the bug being assigned or because access was not in place to a document link.

It should be acknowledged that whilst changes to the automated configuration were being developed manual processes were put in place to mitigate the impact of the issue in the live system.

- 3.13 Significant progress has been made in resolving OCC issues. All but one of the issues referred to in the terms of reference of this work have been fixed. As at the 15<sup>th</sup> of February there were 31 issues designated as in progress and with “OCC” in the title field. 10 of these related to pay or pension components and half of those had been reported in the last month.

4. Management Recommendations			
Ref	Management Recommendation	Responsible Officer	Implementation Date
<b>Configuration of payroll solution</b>			
1	That a 'fix' be applied and retrospective action made to address the known issue relating to the applied percentage of employee pension contributions in respect of supply teachers in the Teachers Pension Scheme (TPS).	Gary Westbrook, Head of Shared Services (IBC)	31 March 2017
2	Existing manual processes in the calculation of some pay entitlements for Retained Fire Fighters (i.e. O.S.P) to be reviewed to maximise opportunities to automate the process.	OCC with IBC Support	31 May 2017
3	To review the formatting requirements for the Oxfordshire Pension Fund that currently necessitate the conversion of the MARS data file from a CSV format into an Excel file.  If determined that conversion is not required the IBC shall introduce further automation of the process.	Ian Dyson, Assistant Chief Finance Officer, OCC  Gary Westbrook, Head of Shared Services (IBC)	30 April 2017  TBC
4	To introduce a forum across the Pension Administration Team(s) to include the Pension Fund, Employers and Payroll Provider to effective stronger lines of communication and engagement.	Sara Currell, HR Manager, IBC Interface, OCC	31 March 2017
5	To assign a single point of contact to ensure the efficient and effective resolution of pay and pension queries / issues. The Client Relationship Manager for OCC would be seen as key in facilitating such an approach.	Derek Hall, Client Relationship Manager (OCC)	31 March 2017
6	To further assist in staff deployment and succession planning a skills evaluation is to be undertaken to capture existing and required knowledge and training.	Gary Westbrook, Head of Shared Services (IBC)	30 June 2017
7	To review existing structures and responsibilities primarily within the Pensions Administration Team to ensure knowledge is appropriately aligned and resilient.	Gary Westbrook, Head of Shared Services (IBC)	30 June 2017

Ref	Management Recommendation	Responsible Officer	Implementation Date
<b>Change Control</b>			
8	A 'Single Test Team' to be introduced across Pensions, Payroll and Transactional HR, working to standards test scripts and processes; pooling all relevant skills and knowledge; ensuring continuity in business processes and enabling end to end testing.	Gary Westbrook, Head of Shared Services (IBC)	30 April 2017
9	To ensure appropriate governance arrangements are in place for the sign off of 'bugs' as complete prior to moving into the live environment. The formation of a Single Test Team (as per Ref 8) will greatly assist this process. The Project Management Office (PMO) will provide continued oversight in the interim.	Gary Westbrook, Head of Shared Services (IBC)	31 October 2017
10	An annual review of the appropriateness of testing samples applied during support pack implementation will be undertaken and incorporated within service pack processes. Additionally processes will include an evaluation of lessons learnt.	John Broadway, SAP Payroll Team Leader (HCC – IT)	First Annual Review September 2017
11	SAP are actively seeking a 'fix' to known issues in relation to the treatment of Assumed Pensionable Pay (APP) with regard part day sickness absence. The IBC remain aware of such issues and will continue to monitor the administration of manual interventions required until such time as SAP provides the required 'fix'.	John Broadway, SAP Payroll Team Leader (HCC – IT)	On-going
12	The Project Management Office (PMO) will provide close scrutiny and challenge to the timeliness of completion and issues raised through Bugzilla.	Gary Westbrook, Head of Shared Services (IBC)	On-going
13	Essential qualification requirements will be included within job specifications for key roles within the IBC to ensure appropriate competencies are maintained.	Gary Westbrook, Head of Shared Services (IBC)	30 June 2017



Division(s):

## AUDIT & GOVERNANCE COMMITTEE – 5 JULY 2017

### REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2016/17

#### Report by the Monitoring Officer

#### INTRODUCTION

1. Each year the Monitoring Officer undertakes a survey of senior managers about the effectiveness of Internal Audit at Oxfordshire County Council. There is no longer a statutory requirement for a formal annual review of the effectiveness of Internal Audit, however this Committee last year agreed that the Monitoring Officer should continue to undertake this survey and report its outcomes to the Committee.
2. This report summarises the responses to the survey. In short, the survey of the extended County Council Management Team reveals a positive picture of the effectiveness of Internal Audit during the year 2016/17.

#### ANNUAL SURVEY

3. Questionnaires were sent to the County Council's extended senior management team. This resulted in responses 20 responses (compared to 29 last year).
4. A full breakdown of the results is attached as an **Annex** to this report. The first part of the survey asked a series of questions to which respondents were invited to provide a rating in answer (from strongly agree through neutral to strongly disagree).
5. Overall the results are very favourable. Three core questions demonstrated a strong level of satisfaction about the nature and effectiveness of the service albeit that the positive results were slightly down on the previous year:
  - **94%** of respondents agreed or strongly agreed that the Service was **proactive in giving adequate information** about its role/purpose (encouragingly this is the same as 2015/16). No one disagreed.
  - **95%** agreed or strongly agreed that the Service was **independent** (this is the most significant increase, up from 73% in 2015/16; which had itself been a decline on 2014/15). No one disagreed.
  - **95%** agreed or strongly agreed that the Service **consulted on key risks or critical systems** in their area (a healthy increase from 83% last year). No one disagreed.
6. The survey included a question about respondents' awareness (or otherwise) about the accountability framework:

- **100%** agreed or strongly agreed that they were aware that Internal Audit reported into the Audit Working Group and Audit & Governance Committee and that officers could be requested to attend meetings of both. This is an encouraging result, increased from 90% last year.
- 7. The survey also asked respondents to **rate** the overall level of service – with 96% of respondents considering the service to be ‘good to excellent’, roughly equivalent and slightly improved from last year’s result.
- 8. The survey also asked two open-ended questions seeking views on ‘high value activity’ and ‘instances of concern’. The responses to both of these are included in the Annex.

### **CONCLUSION**

- 9. While 9 fewer people responded this year, the responses are nevertheless positive. There were no issue as regards the integrity, or capability, of any of the officers of Internal Audi and the comments continue to reflect that the service is well-regarded.
- 10. It is encouraging that respondents considered themselves to be aware of the proactive information from Internal Audit; and noteworthy that respondents had confidence in the service’s independence.

### **RECOMMENDATIONS**

- 11. **The Committee is RECOMMENDED to note and comment upon the report.**

### **NICK GRAHAM**

Monitoring Officer and Chief Legal Officer

Contact officer: Glenn Watson, 07776 997946

## Review of the Effectiveness of Internal Audit 2016/17

20 responses were received to the **survey**. This summary shows answers to the 'ratings' questions and also to the 'comment' questions.

### Summary of Results

#### A. Ratings questions

Detailed breakdown for ***'I've been given adequate information about the role and purpose of Internal Audit.'***

Option	Results	Count
Strongly Agree	26%	(5)
Agree	68%	(13)
Neutral	0%	(0)
Disagree	0%	(0)
Strongly Disagree	5%	(1)

Detailed breakdown for ***'I am consulted by Internal Audit on the key risks and critical systems in my area.'***

Option	Results	Count
Strongly Agree	32%	(6)
Agree	63%	(12)
Neutral	5%	(1)
Disagree	0%	(0)
Strongly Disagree	0%	(0)

Detailed breakdown for ***'I am satisfied that Internal Audit is independent.'***

Option	Results	Count
Strongly Agree	32%	(6)

Agree	63% (12)
Neutral	0% (0)
Disagree	0% (0)
Strongly Disagree	0% (0)
No view	5% (1)

Detailed breakdown for ***'I am given an opportunity to comment on Internal Audit's work plans.'***

Option	Results Count
Strongly Agree	42% (8)
Agree	42% (8)
Neutral	11% (2)
Disagree	5% (1)
Strongly Disagree	0% (0)

Detailed breakdown for ***'I can discuss the relevance of the planned audit activity throughout the year, and I have the opportunity to request other areas to be looked at where assurance is required.'***

Option	Results Count
Strongly Agree	53% (10)
Agree	37% (7)
Neutral	11% (2)
Disagree	0% (0)
Strongly Disagree	0% (0)

Detailed breakdown for ***'On individual audit assignments, where appropriate, I have an opportunity to provide input to the planning of Internal Audit work.'***

Option	Results	Count
Strongly Agree	47%	(9)
Agree	26%	(5)
Neutral	16%	(3)
Disagree	0%	(0)
Strongly Disagree	0%	(0)
No view	11%	(2)

Detailed breakdown for ***'Internal Audit reports are timely, practical and support managers in the management of their key risks.'***

Option	Results	Count
Strongly Agree	32%	(6)
Agree	63%	(12)
Neutral	0%	(0)
Disagree	3%	(1)
Strongly Disagree	0%	(0)
No view	3%	(1)

Detailed breakdown for ***'Internal Audit is effective in delivering improvements to the control environment.'***

Option	Results	Count
Strongly Agree	18%	(3)
Agree	53%	(9)
Neutral	29%	(5)
Disagree	0%	(0)

Strongly Disagree                      0% (0)

Detailed breakdown for ***'I am aware that Internal Audit reports are reported to the Audit Working Group and Audit & Governance Committee and that I may be obliged to attend as appropriate'***

Option	Results	Count
Strongly Agree	50%	(9)
Agree	50%	(9)
Neutral	0%	(0)
Disagree	0%	(0)
Strongly Disagree	0%	(0)

**Please rate your view of the overall performance of Internal Audit in your experience during 2016/17.**

1 being 'poor' and 10 being 'excellent'.                      1    2    3    4    5    6    7    **X** 8    9    10

## **B. Comments**

**(i)     Indicate any instances of high value activity that you experienced with Internal Audit during 2016/17**

- Great help with Skanska contract as a result of Payments Audit
- During 16/17 there were no targeted audits on public health
- Consistently high level of service and patient and responsive to requests/changes.
- Education of looked after children.
- I appreciate the thorough approach of audit, the willingness to have constructive conversations and to listen to challenges about their findings when they arise. Audit is balanced and constructive
- New Systems controls. Allegations of Fraud
- Support for OFRS Annual governance statement
- Review of Mental Health; review of Capital Asset Programme; highway contract
- Working on the mental health audit - this was very clearly articulated where there were potential organisational risks which was managed collaboratively with Sarah Cox

**(ii) Indicate any instances of concern that you experienced that might help us improve the effectiveness of Internal Audit.**

- Lack of understanding of activity, and therefore risk, prior to commencement of onsite work. Auditor could/should have been better prepared.
- Final reports could be refreshed to make them punchier, easier to read and absorb. They are somewhat dense and laborious to read. Given that they draw attention necessarily to areas of deficit, engagement of managers in actions could be promoted by a fresh visually attractive approach.
- Regular quarterly update of key themes coming out from exercises to managers operating day to day systems. It's not a criticism of audit, but there may be an opportunity to add value to delivery of our service by a wider communication/update.

END

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## 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**

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 (Sarah Cox)  
Ernst & Young Progress Report (Alan Witty)  
Annual Scrutiny Report (Policy)  
OFRS Statement of Assurance 2016-17 (Julian Green)

### **5 July 2017**

Audit Working Group, Terms of Reference and Appointment of (Sarah Cox)  
Treasury Management Outturn 2016/17  
Ernst & Young Progress Report (Alan Witty)  
Update on Hampshire Partnership and HR Update (Ian Dyson/Steve Munn)  
Review of effectiveness of internal audit (Glenn Watson)  
Review of Performance Management of the Highways Partnership Contract (Owen Jenkins)  
Internal Audit Charter (Sarah Cox)

### **6 September 2017**

Statement of Accounts 2016/17 (Lorna Baxter)  
Ernst & Young – Final Accounts Audit (Alan Witty)  
Local Government Ombudsman's Review of Oxfordshire County Council (Nick Graham)  
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**)