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OXFORDSHIRE COUNTY COUNCIL

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

Notice of a Meeting of the Audit & Governance Committee

Wednesday, 25 April 2018 at 1.30 pm

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

PG Clark

Peter G. Clark
Chief Executive

April 2018

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

Membership

Chairman – Councillor Nick Carter
Deputy Chairman - Councillor Tony Ilott

Councillors

Paul Buckley	Charles Mathew	Roz Smith
Ian Corkin	D. McIlveen	
Helen Evans	Les Sibley	

Co-optee

Dr Geoff Jones

Notes:
- *There will be a pre-meeting briefing in <u>Room 1.1</u> at County Hall on 20 April 2018 at 9.30am for the Chairman, Deputy Chairman and Opposition Group Spokesman.*
- *Date of next meeting: 25 July 2018*

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 for a hard copy of the document.

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

AGENDA

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

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

3. **Minutes** (Pages 1 - 6)

   To approve the minutes of the meeting held on 7 March 2018 and to receive information arising from them.

4. **Petitions and Public Address**

5. **Safer Recruitment Internal Audit 2017/2018** (Pages 7 - 10)

   1.40pm

   Report by the Director for Human Resources

   This report explains the issues identified by the Safer Recruitment Internal Audit in February 2018 and the actions being taken. The report particularly focuses on the findings in relation to criminal record checking (DBS checks).

   The Committee is RECOMMENDED to support the actions being taken to resolve the discrepancies in our recording system and the actions being taken to ensure rechecks are consistently carried out every three years.

6. **Statement of Accounts 2017/18 - Accounting Policies Briefing Note** (Pages 11 - 30)

   2pm

   Report by the Director of Finance.

   The Council's Statement of Accounts is prepared in accordance with the Council's Accounting Policies as set out at Note 1 in the Notes to the Core Financial Statements.

   The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) defines Accounting Policies as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'. The accounting policies describe how the Council has interpreted and applied the code.

   The Council's auditors will review the adopted accounting policies as part of the audit of the statement of accounts. There is an expectation that they will be able to evidence

that the accounting policies have been approved by 'Those Charged With Governance'. In this council that is the Audit and Governance Committee.

The Committee is RECOMMENDED to:
   a)   **note the report; and**
   b)   **ratify the accounting policies as approved by the Chief Finance Officer and included as an appendix.**

7.   Internal Audit Strategy & Annual Plan 2018/19 (Pages 31 - 54)

2.20pm

Report by the Director of Finance.

This report presents the Internal Audit Strategy and Annual Internal Audit Plan for 2018/19.

The committee is RECOMMENDED to comment and note the Internal Audit Strategy for 2018/19 and 2018/19 Internal Audit Plan.

8.   Annual Scrutiny Report (Pages 55 - 78)

2.40pm

Report by the Assistant Chief Executive.

The Scrutiny Annual Report provides a summary of the work of the council's overview and scrutiny function in 2017-18. This function includes the council's three Overview and Scrutiny Committees, and any Cabinet Advisory Groups which have been appointed by Cabinet in this time.

The Committee is RECOMMENDED to comment on the report prior to its submission to the Performance Scrutiny Committee for review and to Council for approval.

9.   External Auditors (Pages 79 - 88)

3pm

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

   • Audit Progress Report

10.   Annual Report of the Chief Internal Auditor 2017/18 (Pages 89 - 142)

3.20pm

Report by the Chief Internal Auditor

This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2017/18, and providing an opinion on the Council's System of Internal Control. The opinion is one of the sources of assurance for the Annual Governance Statement.

The committee is RECOMMENDED to consider and endorse this annual report.

11. Audit and Governance Committee Annual Report to Council 2017 (Pages 143 - 156)

3.40pm

Report by the Chairman of the Audit & Governance Committee to be presented to The Council.

The Annual Report sets out the role of the Audit & Governance Committee and summarises the work that has been undertaken both as a Committee and through the support of the Audit Working Group in 2017/18.

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

12. OFRS Statement of Assurance 2017-18 (Pages 157 - 186)

4pm

Report by the Director of Community Safety and Chief Fire Officer.

The Fire and Rescue National Framework for England (the Framework) sets out a requirement for fire and rescue authorities to provide an annual statement of assurance on financial, governance and operational matters and to show how they have due regard to the requirements of the Framework and the expectations set out in authorities' own integrated risk management plans.

To demonstrate this, the Framework requires that each authority must publish an annual statement of assurance. The Statement of Assurance 2017/18 document is intended to meet the obligation to produce this statement through reference to public webpages, existing reports and documents.

The Committee is RECOMMENDED to approve the report.

13. Annual Governance Statement (Pages 187 - 210)

4.20pm

Report by the Chief Legal Officer and Monitoring Office

The Audit & Governance Committee has the responsibility of approving the Council's Annual Governance Statement (AGS) each year.

Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year, and setting out any planned changes in the coming period.

This report presents the draft Annual Governance Statement to the Committee for consideration and approval.

The Audit & Governance Committee is RECOMMENDED to approve the Annual Governance Statement 2017/18, subject to the Chief Legal Officer 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.

14.   Audit Working Group Report (Pages 211 - 214)

4.40pm

This report presents the matters considered by the Audit Working Group Meeting of 4 April 2018.

The Committee is recommended to note the report.

15.   Work Programme (Pages 215 - 216)

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.

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 7 March 2018 commencing at 2.00 pm and finishing at 5.00 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)
Councillor Paul Buckley
Councillor Ian Corkin
Councillor Helen Evans
Councillor Charles Mathew
Councillor Les Sibley
Councillor Roz Smith
Councillor Liz Brighouse OBE (In place of Councillor D. McIlveen)

Non-voting Members: Dr Geoff Jones

By Invitation: Paul King and Ruth Plucknett, Ernst & Young

Officers:

Whole of meeting   Nick Graham, Director for Law and Governance and Monitoring Officer; Lorna Baxter, Director for Finance; Sarah Cox, Chief Internal Auditor; Colm Ó Caomhánaigh, Committee Secretary

Part of meeting

Agenda Item	Officer Attending
7	Glenn Watson, Principal Governance Officer
10	Peter Clark, Chief Executive; Maggie Scott, Assistant Chief Executive

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 schedule, copies of which are attached to the signed Minutes.

11/18   APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Apologies were submitted by Councillor D. McIlveen (Councillor Liz Brighouse substituting).

12/18 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE
(Agenda No. 2)

There were no declarations of interest.

13/18 MINUTES
(Agenda No. 3)

The minutes for the meeting of 10 January 2018 were agreed and signed subject to the following correction:

In the title of item 5/17 delete "PLAN" and replace with "UPDATE".

14/18 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

Councillor John Sanders asked the Committee to consider how the procedures for agreeing exemptions to the normal tendering process were being carried out. He had noticed in a report to the January Cabinet meeting that there were four such exemptions in November and December and that the contacts totalled around £0.75m.

Cllr Sanders was happy that the constitutional processes were being followed but having read the reports on each of the exemptions he was concerned that they were not sufficiently transparent in terms of explaining the reasons why the exemptions were justified. He asked the Committee to consider if the procedures should be enhanced to ensure transparency as required under EU law.

The Monitoring Officer explained that he conducts a legal appraisal of each proposed exemption and there is a financial report with the relevant details. If everything is in order, the Chief Executive signs the decision and it is reported to the next Cabinet meeting.

It was agreed that the Monitoring Officer will prepare a report for the Audit Working Group on the procedures followed in dealing with exemptions from the normal tendering procedures.

15/18 EXTERNAL AUDITORS
(Agenda No. 5)

Mr King introduced the reports. In particular, he drew attention to the reference to the risk of management override on page 5 of the Agenda and assured the Committee that it did not imply any specific concerns about the integrity of management at the Council. The other risks included in the Audit Plan, including the valuation of land and buildings and the valuation of the Pension Scheme liabilities, were normal where there were large figures in the balance sheet and a high degree of estimation and valuation.

The earlier deadline for completion of accounts is also recorded as a risk. Ms Baxter stated that the accounts had been prepared to the earlier deadline last year in

preparation for it becoming statutory this year. She was confident that the deadlines would be met.

The Council's termination of the contract with Carillion and the handling of Carillion's liquidation are referenced under Value for Money Risks. Councillor Roz Smith stated that she and other councillors had suggested the inclusion of a break clause in the contract with Carillion.

The Pension Fund plan is similar. There is an additional risk highlighted in relation to the change of custodian.

Mr King responded to questions from Members as follows:
- with regard to the financial difficulties of Northamptonshire County Council, EY have never had to issue a qualified audit report about a Local Authority with regard to going concern. But it has included an emphasis of matter paragraph in the audit reports of some hospital trusts referring to disclosures in the accounts about going concern (although an emphasis of matter paragraph is not a qualification of the true and fair opinion).
- the Pension Fund deficit looks like a very large number but the nature of pension fund liabilities are that they only fall due over many years.

The reports were noted.

16/18 REVIEW OF LOCAL GOVERNMENT ETHICAL STANDARDS: STAKEHOLDER CONSULTATION
(Agenda No. 6)

The report was introduced by Mr Graham who asked members to consider if the current system dealing with ethical standards is working or requires improvement. This Council does not receive many complaints against Members but this might be because the sanctions are perceived to be weak. He noted that the consultation also asked for views on intimidation of councillors and that there had been a motion on this recently at Full Council.

Members raised issues with Mr Graham who responded as follows:
- The most common grounds for complaints in his experience were conflict of interest, transparency and inappropriate behaviour.
- When he receives a complaint, he consults the Code and liaises with an independent person. If there is deemed to be a possible breach a subcommittee is formed but very few get to that stage.
- Members of the public might feel that the Monitoring Officer is too close to Members of the Council to be able to maintain impartiality.

It was agreed to form a small group to consider the Council's response to the consultation. The Monitoring Officer will coordinate the group and its submission. All Members will be emailed and encouraged to submit their views to the group.

RESOLVED that:
  a) **Councillors Ian Corkin, Helen Evans and Roz Smith will meet to discuss a response to the consultation; and**

b) The Monitoring Officer will coordinate the submission of responses before the closing date of the consultation.

17/18   SCALE OF ELECTION FEES AND EXPENDITURE 2018/19
(Agenda No. 7)

Mr Watson presented the report and highlighted the differences from last year when a full review had taken place. The payments for preparation of ballot boxes and the fee for poll clerk have been increased.

Mr Watson responded to Members' questions as follows:
- In last year's elections a lot of recruits cancelled at the last minute.
- Our fees would be out of kilter with the City Council's in particular if we do not raise them.
- Most recruits are local authority staff, former staff or friends and family of staff but anyone can apply.
- If the owners of a building asked for too much money, the Council would simply go elsewhere but this has not happened.
- The preparation of ballot boxes involves making sure that they have the correct register, sufficient ballot papers and supplies.

RESOLVED: to approve the Scale of Expenditure for the financial year 2018/19, as shown in Annex A to this report, for the election of County Councillors and any other local referendums.

18/18   "FIT FOR THE FUTURE" TRANSFORMATION PROGRAMME UPDATE
(Agenda No. 10)

Mr Clark introduced the report and described how the work done on the Unitary proposal and by PwC has contributed to the transformation programme. Ms Scott gave a presentation on the outcomes from Phase 2 and an overview of Phase 3. They responded to questions from Members as follows:

- 'Customer management' refers to phone calls, interviews etc with customers.
- Phase 3 will run to July and the full roll-out will take 2 to 3 years.
- The programme is not dependent on the unitary proposal. The Council has worked very well with the Districts and City on the recent growth deal worth.
- By July the work by PwC will have cost £2.1m. The Council has previously tried transformation itself with mixed results. It currently has less staff and management and is dealing with big agendas like the growth deal, Oxford-Cambridge arc, integrating care systems and dealing with the overspend on children's services.
- The Council has a strong record on reducing its spending in each sector but now a more holistic approach is needed to make further improvements.
- There is a strong commercial strategy in the programme including the use of capital but perhaps it needs to be better articulated.
- There is an opportunity to review outsourcing and ensure that it is not just about savings but looks also at the best outcomes.

- It is acknowledged that there is a tension over the use of terminology such as "customer" or "resident". There will be more about how the programme will impact on the public in the presentation to all Members on 12 March.
- There will be a particular focus on demand management in children's services with better signposting to ensure proper referral.

RESOLVED to
    a) **note the content of the report; and**
    b) **request a further update at the Committee meeting on 25 July 2018.**

19/18 AUDIT WORKING GROUP REPORT
(Agenda No. 8)

Ms Cox summarised the report and drew particular attention to the discussions on Mental Health and S106s. Mr Jones, Chairman of the AWG, stated that, on Mental Health they are not at the critical decision stage yet and there are big challenges to be tackled on S106s.

Ms Cox reported that Council officers visited Hampshire regarding the VAT issue and are satisfied that there is a good plan to ensure compliance. Any issues identified so far have been compliance issues and not related to fraud.

The Chairman asked if the AWG needed to meet more often given the volume of work. Mr Jones responded that there was still a certain backlog resulting from the time lost over the two elections last year but that the current cycle which matched the main Committee meeting cycle was sufficient.

RESOLVED: to note the report.

20/18 WORK PROGRAMME
(Agenda No. 9)

The Committee agreed the following additions:

25 April 2018
Draft narrative statement and Accounting Policies for inclusion in the Statement of Accounts

25 July 2018
Fit For the Future Transformation Programme Update

.... in the Chair

  Date of signing   ....

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Division(s): N/A

Audit and Governance Committee – 25 April 2018

Safer Recruitment Internal Audit 2017/2018

Report by the Director for Human Resources

Introduction

1. This report explains the issues identified by the Safer Recruitment Internal Audit in February 2018 and the actions being taken. The report particularly focuses on the findings in relation to criminal record checking (DBS checks).

Background

2. In July 2015 the function of processing applications for criminal record checks from the Disclosure and Barring Service (DBS checks) transferred from Oxfordshire County Council to Hampshire Shared Services (HSS). This function includes applying for checks at the request of council managers and recording completed checks against employee records on the SAP payroll system. The responsibility for ensuring all relevant staff have DBS checks remains with council managers.

3. In September 2016 Oxfordshire County Council changed its policy in relation to rechecking criminal records for employees working in roles eligible for DBS checks. Up until September 2016 only employees working in children's services were subject to a fresh DBS check every three years. This policy was extended in September 2016 to all staff in relevant roles including adult social care, Fire & Rescue Service, Libraries and Solicitors.

4. This policy is not a legal requirement but allows council managers to monitor the criminal record status of employees working with children and vulnerable adults, reducing the risk if employees fail to disclose changes in their criminal record status.

The process for DBS checking and rechecking

5. Managers are responsible for ensuring DBS checks and rechecks are carried out. They do this as part of the recruitment process and for rechecks submit an online request to Hampshire Shared Services along with the required documentation. HSS as the registered body submit the application to the Disclosure and Barring Service.

6. When a DBS check is received from the Disclosure and Barring Service, HSS use a system called "e-*bulk*" to upload the completion date and DBS certificate number on to the employee's SAP record. The manager is notified about any disclosures. At the same time a flag is set on the system to trigger a reminder to managers when the recheck is due. This reminder is sent three months in advance.

Findings from the Safer Recruitment Audit

7. The Safer Recruitment Audit carried out in February 2018 identified errors in the recording of DBS Checking on the SAP system and compliance with the three-year rechecking policy.

8. It is important to reassure the Committee that there are robust systems in place to check the criminal records and carry out DBS checks for <u>all</u> new starters joining the council in relevant posts. This includes existing council staff moving to new jobs. This is supported by the findings of the audit which showed all new recruits had a DBS check.

9. The audit also confirmed that we have comprehensive, up-to-date and accessible Safer Recruitment policies and procedures available at the Council. These set the strategic objectives and control requirements for all aspects of safer recruitment, including recruiting manager training, interview requirements and DBS checks.

Management Information – DBS Data Inaccuracies on SAP

10. Internal audit reported to the Audit Working Group on 4 April 2018 that:

- *There are significant inaccuracies in the SAP DBS data, as SAP is not always updated when DBS checks are completed. This is a known IT issue and IBC has reportedly been trying to fix it over the past year. As a result, OCC have been unable to effectively monitor whether staff have up to date DBS checks or not since the responsibility for managing the DBS process transferred to IBC in 2015. From our audit testing, there was a 67% error rate with the DBS data on SAP in our sample of 45.*

- *There is a further issue where the 3-yearly DBS checks are not being routinely undertaken by all managers. In just over half our sample of 15 where the DBS was recorded as expired on SAP, the DBS had indeed expired and the Manager had not requested a Renewal. The Renewal Reminder is not consistently used by Managers to ensure they are reminded when the 3-yearly Renewal is due (two thirds of the New Starters checked did not flag this Reminder). However, in almost half the cases checked, the Reminder had been used but not acted upon.*

Reasons for discrepancies

11. In December 2016 a fault started to appear in the e-bulk system. At first the fault was not recognised as it was failing on a very ad-hoc basis but then it became more widespread and was properly diagnosed in November 2017.

12. The system fault means that completed DBS checks for new starters and for employees being rechecked were not consistently uploaded onto employees' records from December 2016. This resulted in inaccurate records and flags not being set for recheck reminders due from 2019. This has now been resolved.

13. Where DBS rechecks were found to be overdue this was due to managers not acting on reminders but some were due to the policy change in September 2016 where some posts were missing the relevant flag to trigger a reminder to managers.

What action have we taken?

- The system fault was fixed on 6 March 2018 and all backdated records have been uploaded.

- The HR team are checking every employee and their record to ensure the records are accurate, that any expired DBS checks are carried out and that the right flags are set on the record. This work will be complete by the end of April.

- Managers are being contacted where DBS checks are found to have expired and are being instructed to initiate rechecks.

- All managers who have not done the Recruitment and Selection training in the last three years are being asked to do so by the end of June 2018.

- Classroom training on recruitment vetting and checking is being rolled out to managers from May.

Management information and creation of sensitive posts

14. Internal Audit also reported that:

- *Due to the inaccurate data, management information on DBS checks is therefore not currently being produced nor used. Furthermore, there is a known issue that posts are not always flagged as 'sensitive' when they are created. This is now a manager responsibility, under the IBC HR Recruitment work flow system. Without flagging a post as 'sensitive' it is difficult to data match against DBS records in order to identify gaps. The inaccuracy of SAP DBS data against both posts and personnel records on SAP is a known issue within Corporate HR, and work has been underway to identify and resolve inaccuracies.*

15. It is correct that the inaccuracies of the data on SAP have affected our ability to monitor and report on DBS checking and managers have had to rely on their own records of DBS checks as reminders are not consistently sent.

16. There have also been issues with managers creating posts on the system without the correct level of DBS flag.

What action have we taken?

- Improvements to the self-service system were introduced in January 2018 making it simpler for managers to create posts with the correct DBS flags.

- We are improving our online guidance making it easier for managers to look up the level of DBS check required for jobs.

- Monthly reports are being run by HR for all new posts created to check that the right DBS flags have been included.

- HR are introducing a reporting system that identifies where three year rechecks are overdue and will contact managers.

Action plan in response to all Safer Recruitment Internal Audit Findings

17. The HR team have done considerable work since the change of the rechecking policy and since the fault in the system was identified to run reports from SAP and work with services to manually check that employees have up to date DBS checks. This has been hampered by not having direct access to SAP to change records ourselves but in January 2018 one member of the team was given access and this is helping us correct records more quickly.

18. In relation to the other findings managers have been reminded about uploading interview notes and have been asked to undertake the recruitment training if they have not done so in the last three years.

Financial and Staff Implications

19. There are no financial implications but there are risks that staff working for the council have not had a DBS re-check in line with the council's policy.

RECOMMENDATION

20. **The Committee is RECOMMENDED to support the actions being taken to resolve the discrepancies in our recording system and the actions being taken to ensure rechecks are consistently carried out every three years.**

Steve Munn
Director for HR

Contact Officer: Fiona Percival, County HR Manager   April 2018

Audit and Governance Committee – 25 April 2018

Statement of Accounts 2017/18 - Accounting Policies Briefing Note

Report by the Director of Finance

Introduction

1. The Council's Statement of Accounts is prepared in accordance with the Council's Accounting Policies as set out at Note 1 in the Notes to the Core Financial Statements.

2. The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) defines Accounting Policies as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'. The accounting policies describe how the Council has interpreted and applied the code.

3. The draft 'Note 1. Summary of Significant Accounting Policies' is included as an appendix to this briefing note.

Accounting policies

4. The Code prescribes that 'authorities shall apply the objective, underlying assumption and qualitative characteristics of useful financial information, in the selection and application of accounting policies and estimation techniques'.

5. The Code provides a detailed framework within which accounting policies must be set:

- When the Code specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the Code. Those policies need not be applied when the effect of applying them is immaterial.

- Where the Code does not specifically apply to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:
  a. relevant to the decision-making needs of users, and
  b. reliable, in that the financial statements:
      i. represent faithfully the financial position, financial performance and cash flows of the authority
      ii. reflect the economic substance of transactions, other events and conditions and not merely the legal form
      iii. are neutral, i.e. free from bias

> iv. are prudent, and
>
> v. are complete in all material respects.

- In making the judgement management shall refer to, and consider the applicability of, the Code requirements dealing with similar and related issues. Management may also consider the most recent pronouncements of standard-setting bodies and accepted public or private sector practices to the extent, but only to the extent, that these do not conflict with the requirements of the Code.
- An authority shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless the Code specifically requires or permits different treatment.
- An authority shall change an accounting policy only if the change is required by the Code or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the authority's financial position, financial performance or cash flows.
- Where an authority changes an accounting policy, it shall apply the changes retrospectively unless the Code specifies transitional provisions that shall be followed. A change in accounting policy shall be applied retrospectively by adjusting the opening balance of each affected component of net worth for the earliest period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied, except to the extent that it is impracticable to so do.

Approval of Accounting Policies

6. The code states that The Chief Finance Officer is responsible for selecting 'suitable' accounting policies and ensuring that they are applied consistently in the preparation of the statement of accounts. The 2017/18 accounting policies, as set out in the appendix 'Note 1. Summary of Significant Accounting Policies', have been approved by the Chief Finance Officer. All significant accounting policies have been selected with reference to the Code.

External Scrutiny

7. The Council's auditors will review the adopted accounting policies as part of the audit of the statement of accounts. As set out in the audit plan, 'there will be particular focus on changes made to [accounting policies] or where policies are different to those suggested by the code'.

8. There is also an expectation that the auditors will be able to evidence that the accounting policies have been approved by Those Charged With Governance. In this council that is the Audit and Governance Committee.

Changes to Accounting Policies 2017-18

9. There have been no material changes to accounting policies for 2017/18.

RECOMMENDATION

10. **The Committee is RECOMMENDED to:**
    a) **note the report; and**
    b) **ratify the accounting policies as approved by the Chief Finance Officer and included as an appendix.**

Lorna Baxter
Chief Finance Officer

Contact Officer: Hannah Doney - Strategic Finance Manager (Accounting and Reporting)

Notes to the core Financial Statements
Note 1. Summary of Significant Accounting Policies

General

The Statement of Accounts summarises the County Council's transactions for the 2017/18 financial year and its position at the year-end 31 March 2018. It has been compiled in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* (the *Code)*, published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Except where specifically stated otherwise, the Statement of Accounts is prepared on a historic cost basis, modified by the revaluation of certain categories of assets and financial instruments. The accounts have been prepared on a going concern basis, that is, the accounts have been prepared on the assumption that the functions of the County Council will continue in operational existence for the foreseeable future.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the County Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the end of the reporting period (31 March 2018) and the date the Statement of Accounts is authorised for issue. There are two types of event:

- Those that provide evidence of conditions that existed at the Balance Sheet date – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the Balance Sheet date – the Statement of Accounts is not adjusted to reflect such events, but a disclosure is made if the event has a material effect.

Accruals of Income and Expenditure

The accounts are prepared on an income and expenditure basis with activity accounted for in the year it takes place rather than when cash payments are made or received. The bases for recognition are as follows:

- Revenue from the sale of goods is recognised when the County Council transfers the significant risks and rewards of ownership to the purchaser and

it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.

- Revenue from the provision of services is recognised when the County Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the County Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when they are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet. For manually raised accruals a guideline threshold of £10,000 is used for inclusion within the accounts.

Government Grants and Contributions

Government grants and third party contributions are accounted for on an accrual basis and are recognised in the Statement of Accounts when there is reasonable assurance that the County Council will comply with the conditions attached to their payment and that the grants or contributions will be received.

Grants and contributions relating to capital and revenue expenditure are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the County Council has not satisfied. Conditions are stipulations that require the grant or contribution to be returned to the provider if the terms of the grant or contribution are not met.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (capital monies within Capital Grants Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant directorate line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income line (un-ringfenced revenue grants and all capital grants and contributions) in the Comprehensive Income and Expenditure Statement.

Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement are reversed out of the County Fund Balance in the Movement in Reserves Statement - where the grant/contribution has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve; where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Capital grants and contributions used to finance Revenue Expenditure Funded from Capital Under Statute are accounted for in the same way as other capital grants and contributions i.e. credited to the Taxation and Non-Specific Grant Income line when

there are no outstanding conditions and transferred/applied in the same way through the Movement in Reserves Statement.

Revenue grants and contributions that have been credited to the relevant directorate line in the Comprehensive Income and Expenditure Statement that remain unapplied as at the Balance Sheet Date and are required to meet committed expenditure in future years are transferred to an earmarked reserve through the Movement in Reserves Statement.

Council tax and business rates income
The council tax and business rates income included in the Comprehensive Income and Expenditure Statement (CIES) for the year is the accrued income for the year. The difference between the income included in the CIES and the amount required by regulation to be credited to the County Fund is taken to the Collection Fund Adjustment Account and included as an adjusting item in the Movement in Reserves Statement.

The district councils in Oxfordshire are acting as agents of the County Council in collecting council tax and business rates. The cash collected from council tax payers and business rates payers belongs proportionately to the district councils and the major preceptors. There is therefore a debtor/creditor position between each district council and the County Council to recognise that the net cash paid to the County Council in the year is not the same as its share of cash collected. The County Council recognises its share of council tax and business rates debtor and creditor balances, impairment allowances for doubtful debts and provisions for losses on appeal in its Balance Sheet. The Cash Flow Statement of the County Council includes the net council tax and business rates cash received from the Collection Fund in the year.

Employee Benefits

Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries and wages, paid sick leave and paid annual leave and are recognised as an expense for services in the year in which employees render service to the County Council. Where material, an accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to the County Fund Balance in the financial year in which the absence occurs in accordance with regulations.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the County Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the relevant directorate in the Cost of Services at the earlier of when the County Council can no longer withdraw the offer of those benefits or when the County Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the County Fund Balance to be charged with the amount payable

by the County Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

<u>Post-Employment Benefits</u>
The County Council participates in four pension schemes: the Local Government Pension Scheme, the Fire-fighters' Pension Scheme (1992, 2006, 2015 and modified schemes and injury compensation scheme), the Teachers' Pension Scheme and the NHS Pension Scheme.

These schemes provide defined benefits to members. However, the arrangements for the teachers' pension scheme and the NHS pension scheme mean that liabilities for these benefits cannot be identified to the County Council. These schemes are therefore accounted for as if they are defined contributions schemes – no liability for future payment of benefits is recognised in the Balance Sheet and the relevant service lines in the Comprehensive Income and Expenditure Statement are charged with the employer's contributions payable in the year.

The County Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award are accounted for on the same basis as defined benefit schemes.

For the schemes treated as defined benefit schemes the Cost of Services includes:

- Current service cost – the increase in the present value of a scheme's liabilities resulting from employee service in the current period. This is included in the relevant directorate line within the Cost of Services.
- Past service cost – the increase in the present value of the scheme liabilities for employee service in prior periods, resulting from a scheme amendment or curtailment. This is included in Other Corporate Costs within the Cost of Services.
- Gain/loss on settlement – changes in liabilities relating to actions that relieve the County Council of primary responsibility for a pension obligation. This is included in Other Corporate Costs within the Cost of Services.

The net interest on the defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time - is included in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. Remeasurements comprising actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated their assumptions – and the return on scheme assets, excluding amounts included in net interest on the net defined liability (asset), are recognised in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement.

Scheme assets attributable to the County Council are measured at fair value as at the Balance Sheet date. Scheme liabilities attributable to the County Council are

measured on an actuarial basis using the projected unit method. The net pensions liability is recognised in the Balance Sheet.

The amount chargeable to the County Fund for providing pensions for employees is the amount payable for the year in accordance with the statutory requirements governing each particular pension scheme. Where this amount does not match the amount charged to the Surplus or Deficit on the Provision of Services for the year the difference is taken to the Pensions Reserve via the Movement in Reserves Statement.

Fire-fighters injury awards are disability benefits paid by the County Council that do not form part of the fire-fighters pension scheme. However, the measurement of these long-term benefits is subject to the same degree of uncertainty as the measurement of fire-fighters post-employment benefits and therefore they are accounted for in the same way as fire-fighters post-employment benefits.

Trading Activities
A trading activity is a method of matching income and expenditure for a particular activity or group of activities where services are provided on a basis other than a straightforward recharge of cost or on a cash-limited vote basis.

Where the County Council operates trading undertakings, the surplus or deficit on the trading operation is disclosed as part of Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement rather than as part of the Cost of Services. Where material, the following disclosures are made:

- The nature of the activity;
- Turnover;
- Surplus or deficit;
- Any reapportionment of the surplus or deficit; and
- Any details placing the financial performance in a context useful to the reader.

Property, Plant and Equipment
Assets that have a physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. These include operational land and buildings, vehicles, plant and equipment, surplus assets, assets under construction and infrastructure.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the County Council and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance, which is charged directly to service revenue accounts as an expense when incurred.

Assets are initially measured at cost, comprising:
- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (this only applies when the County Council has an obligation to carry out such activities when the item is acquired, constructed or installed)

The County Council does not capitalise borrowing costs incurred whilst assets are under construction.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement, unless the donated asset has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Gains credited to the Comprehensive Income and Expenditure Statement are reversed out of the County Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Property, Plant and Equipment is subsequently carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – depreciated historic cost
- Other Property, Plant and Equipment assets (excluding surplus assets) – current value, determined as the amount that would be paid for the asset in its existing use
- Surplus assets – fair value (at highest and best use), determined as the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historic cost basis is used as a proxy for current value.

A *de minimis* level of £20,000 is applied for land and buildings and £15,000 for vehicles and plant, other than for schools local capital spend where a *de minimis* of £2,000 is applied.

Revaluations of property assets are undertaken on a five-year rolling programme as shown below. Material changes to asset valuations are adjusted in the interim periods.

	Date of Last Revaluation	Date of Next Revaluation
Secondary and special schools	2014/15	2019/20
Primary, nursery, junior and infant schools	2015/16	2020/21
Social care premises, libraries, museums and adult learning premises	2016/17	2021/22
Fire & Rescue Service and Community Safety premises, staff housing, central offices and highways depots	2017/18	2022/23
Other educational premises (including children's, youth and sports centres), surplus assets and other properties	2013/14	2018/19

not revalued within the past 5 years		

Investment properties valuations are reviewed annually. Assets held for sale are revalued at the point of reclassification to that category.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a directorate.

Decreases in valuations are accounted for as follows:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant directorate in the Comprehensive Income and Expenditure Statement

Assets are assessed each year as to whether there is an indication of impairment. Where indications exist and the recoverable amount of the asset is materially lower than the carrying amount, an impairment loss is recognised for the shortfall. Where impairment losses are identified they are accounted for in the same way as decreases in valuations.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant directorate, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation of Property, Plant and Equipment
Depreciation is provided for on all Property, Plant and Equipment with a finite life, which is determined at acquisition or revaluation. Assets in the course of construction are not depreciated until they are brought into use. Depreciation is an estimation technique that is calculated using the straight-line method with the following asset lives:
- Buildings: 60 years (or less if specified by the valuer)
- Vehicles, plant and equipment: between 5 and 30 years
- IT equipment and infrastructure: between 3 and 5 years
- Infrastructure (roads and bridges):   35 years

Land is determined to have an infinite life and is not depreciated.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Charges to Revenue for Property, Plant and Equipment
Services, support services and trading accounts are charged with a capital charge for all Property, Plant and Equipment used in the provision of services. The charge

covers the annual provision for depreciation and revaluation and impairment losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The County Council is not required to raise council tax to fund depreciation or revaluation/impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (referred to as Minimum Revenue Provision (MRP)). Depreciation and revaluation/impairment losses are therefore replaced by the MRP contribution in the County Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. To be classified as an Asset Held for Sale the asset must meet the following criteria:
- Available for immediate sale in its present condition
- The sale must be highly probable
- Actively marketed at a reasonable sale price
- The sale should be expected to be completed within 1 year

Assets Held for Sale are measured at the lower of their carrying value and fair value less costs to sell at initial reclassification. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Decreases in fair value less costs to sell are recognised in Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to Property, Plant and Equipment and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts from the disposal of assets in excess of £10,000 are categorised as capital receipts. Capital receipts are appropriated to the Capital Receipts Unapplied reserve from the County Fund Balance in the Movement in Reserves Statement.

The written off value of assets disposed of is appropriated to the Capital Adjustment Account from the County Fund Balance in the Movement in Reserves Statement so that there is no charge against the Council Tax.

Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair value (at highest and best use), being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Investment properties are not depreciated and are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Gains and losses on disposal are posted to Other Operating Expenditure. The gains and losses are reversed out of the County Fund Balance to the Capital Adjustment Account (or Capital Receipts Unapplied for disposal receipts over £10,000) in the Movement in Reserves Statement so that they do not impact on Council Tax.

Heritage Assets
Tangible heritage assets are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Intangible heritage assets are intangible assets with cultural, environmental or historical significance.

Tangible assets with heritage characteristics that are used by the County Council in the provision of services are accounted for as operational assets within Property, Plant and Equipment and not treated as heritage assets.

Where the cost or value of a heritage asset is available (subject to the *de minimis* levels set out below) the asset is recognised on the Balance Sheet. Where information on the cost or value of a heritage asset is not available, and the cost of obtaining the information outweighs the benefits to the users of the accounts, the asset is not recognised on the Balance Sheet.

A *de minimis* level of £20,000 is applied to the capitalisation of individual heritage assets and an overall minimum aggregate value of £250,000 before recognition on the Balance Sheet.

The main heritage assets held by the County Council comprise museum collections, history collections and archaeological sites. Information is not available on the cost of these assets, other than for a very small number of items, as the majority have been donated or acquired by excavation. The County Council considers that obtaining valuations for the museum and history collections would involve a disproportionate cost in comparison to the benefits to the users of the accounts and therefore does not recognise these assets on the Balance Sheet. The County Council does not consider that reliable valuation information can be obtained for the archaeological sites because of the diverse nature of the sites and lack of comparable market values, and therefore does not recognise these assets on the Balance Sheet.

Intangible Assets: Software Licenses
Intangible assets are non-monetary assets that do not have a physical substance but are controlled by the County Council as a result of past events and from which

future economic benefits or service potential is expected to flow to the County Council.

The County Council policy is to capitalise software licenses for major applications. For this purpose an application is a major application where the initial cost exceeds £20,000. Intangible assets are measured at cost. The cost is amortised and charged to the relevant directorate within the Comprehensive Income and Expenditure Statement over a period of up to 6 years using the straight-line method. Amortisations are reversed out of the County Fund Balance in the same way as depreciation, so that there is no impact on council tax.

Revenue Expenditure Funded from Capital Under Statute
Capital expenditure on non-current assets not owned by the County Council and grants given by the County Council for capital purposes are charged to the relevant directorate in the Comprehensive Income and Expenditure Statement. In accordance with statutory provisions this expenditure is transferred from the County Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement, such that there is no impact on council tax.

Private Finance Initiative (PFI) and similar contracts (service concession arrangements)
PFI type contracts involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time. The operator is paid for its services over the period of the arrangement. Where the County Council controls or regulates the services provided by the operator and controls the residual interest in the property at the end of the term of the arrangement the contract meets the tests for accounting as a service concession arrangement.

Properties used in service concession arrangements are recognised as Property, Plant and Equipment of the County Council. The original recognition of the assets at fair value (based on the cost to purchase the assets) is matched by the recognition of liabilities for amounts due to the operators to pay for the assets and deferred income where the operator part funds the assets from income from third parties. Once recognised on the Balance Sheet these assets are revalued and depreciated in the same way as other Property, Plant and Equipment owned by the County Council.

The amounts payable to the service concession arrangement operators each year are analysed into five elements:

- The value of services received during the year – charged to the relevant directorate in the Comprehensive Income and Expenditure Statement
- Finance costs – an interest charge on the outstanding finance liability – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payments towards the finance liability – applied to write down the Balance Sheet liability towards the operator
- Contingent rents – inflationary increases in the amounts to be paid for the property arising during the contract – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Note for the County Council's current service

concession arrangement there is no inflation applied to the elements of the contract payments relating to the property build costs and therefore no contingent rents.

- Lifecycle replacement costs – recognised as a capital prepayment in the Balance Sheet and transferred to Property, Plant and Equipment when capital works are undertaken.

Deferred income is released to the relevant directorate in the Comprehensive Income and Expenditure Statement on a straight line basis over the service concession period.

(See also the accounting policy on debt redemption.)

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a property lease covers both land and buildings, the land and buildings elements are considered separately for lease classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Where the County Council is the lessee, property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. The lease payments are apportioned between a charge for the acquisition of the interest in the asset – applied to writing down the liability, and a finance charge – charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Once recognised on the Balance Sheet, assets recognised under finance leases are accounted for in the same way as other Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

(See also the accounting policy on debt redemption.)

Where the County Council is the lessee, operating lease rentals are charged to the relevant directorate in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease period except where the contractual payment terms are considered to be a more systematic and appropriate basis.

Where the County Council leases an asset to others under a finance lease, the asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part

of the gain or loss on disposal. A gain, representing the County Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, matched by a long-term debtor in the Balance Sheet. Finance lease rentals receivable are apportioned between a charge for the acquisition of the interest in the property – applied to write down the long-term debtor (together with any premiums received), and finance income credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is required under statute to be treated as a capital receipt. Where a premium has been received, this is posted out of the County Fund Balance to the Capital Receipts Unapplied reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future years, this is posted out of the County Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the long-term debtor and the deferred capital receipts are transferred to the Capital Receipts Unapplied reserve. The written-off carrying amount of the asset on disposal is appropriated to the Capital Adjustment Account from the County Fund Balance in the Movement in Reserves Statement so that there is no impact on Council Tax.

Where the County Council leases an asset to others under an operating lease, the asset is retained on the Balance Sheet. Rental income is credited to the relevant directorate in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease period (including any premiums received at the commencement of the lease).

Cash and Cash Equivalents
Cash is represented by cash in hand and bank deposits repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The County Council treats the following as cash equivalents:

- Instant Access Call Accounts
- Instant Access Short Term Funds
- Deposits with one working day to maturity from date of deposit

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the County Council's cash management.

Financial Assets
Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

- Financial assets at fair value through profit or loss – assets that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking

Loans and receivables are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Credits to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for external interest receivable are based on the carrying amount of the asset, multiplied by the effective interest rate for the instrument. For the majority of the County Council's investments, the effective interest rate is the same as the actual interest receivable in accordance with the loan agreement. Short duration receivables with no stated interest rates (e.g. debtors) are measured at original invoice amount.

The County Council has made a number of loans to clients and other organisations at less than market interest rates or zero rate (referred to in the Code as soft loans). For the County Council there are no material differences between the fair value and the nominal value of such loans and no adjustments are made on initial recognition of these loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the carrying value of the asset is reduced through the use of an allowance account and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses arising on the derecognition of assets are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale assets are initially measured and carried in the Balance Sheet at fair value. Where the asset has fixed or determinable payments, credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable.

Assets are maintained in the Balance Sheet at fair value. Values are based on:
- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the County Council can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss recognised in Other Comprehensive Income and Expenditure (except for impairment losses).

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down through the use of an allowance account and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses arising on the derecognition of assets are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses recognised in the Available-for-Sale Reserve.

<u>Financial assets at fair value through profit or loss</u> are initially measured and carried in the Balance Sheet at fair value. Movements in fair value are balanced by posting gains and losses to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as they arise. Any residual gains and losses arising on derecognition are also credited/debited to the Comprehensive Income and Expenditure Statement. The basis of fair value and the inputs to the measurement techniques is the same as for Available-for-sale assets.

The carrying amounts of individual financial assets are separated into their current (short-term) and non-current (long-term) elements for presentation within the Balance Sheet.

Financial Liabilities
Financial liabilities are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for external interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. For most of the County Council's borrowings the effective interest rate is the same as the actual interest payable in accordance with the loan agreement. In respect of stepped interest rate loans entered into before 9 November 2007, statutory regulations require that the amount taken to the County Fund Balance is the contractual interest payable. The reconciliation between the amount charged to the Comprehensive Income and Expenditure Statement and the contractual interest payable is managed by a transfer from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The carrying amounts of individual financial liabilities are separated into their current (short-term) and non-current (long-term) elements for presentation within the Balance Sheet.

Gains and losses on the repurchase or early settlement of borrowing are written-down to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase takes place as part of a restructuring exercise that involves the modification or exchange of existing loans, the premium or discount adjusts the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread

over the life of the loan. All early repayments of PWLB loans are treated as extinguishments rather than modifications, including where a replacement loan has been arranged from PWLB on the same day, and any associated premium or discount is written off immediately. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, statutory regulations allow the impact on the County Fund Balance to be spread over future years. The County Council has a policy of charging all premiums/discounts to the County Fund Balance in the year.

Debt Redemption

The County Council complies with legislation to charge a Minimum Revenue Provision (MRP) to the County Fund revenue account for the repayment of debt by making a straight-line charge of the outstanding pre-2008 capital expenditure as at 1 April 2017 calculated over a 50-year period and making provision for repayment of prudential borrowing in equal instalments over the estimated life of the asset for which the borrowing is undertaken. In addition the provision for repayment of debt includes an amount equal to the amount that is taken to the Balance Sheet to reduce the liabilities in respect of PFI and similar contracts and for the prepayment of lifecycle costs relating to these contracts, and an amount equal to the amount that is taken to the Balance Sheet to reduce liabilities in respect of finance leases.

Provisions

Provisions are made where the County Council has a present obligation (legal or constructive) as a result of a past event that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed annually and are adjusted to reflect the current best estimate against the appropriate directorate in the Comprehensive Income and Expenditure Statement. When payments are eventually made they are charged directly to the provision.

Insurance

The County Council has a policy of self-insurance of claims across its main insurance categories. In accordance with the Code the insurance provision is set aside to cover insurance claims actually received and awaiting resolution that have been advised to the County Council and which it has been decided to be insured internally rather than externally. Subject to the contingent liabilities listed in Note 57, there are no significant unfunded risks.

Contingent liabilities and contingent assets

The County Council discloses contingent liabilities in the notes to the accounts. Contingent liabilities are possible obligations arising from past events and whose existence will be confirmed by one or more uncertain events occurring in the future and are not wholly under the County Council's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that there will be a transfer of economic benefits or where the obligation cannot be measured with sufficient reliability.

Financial guarantee contracts come under the definition of financial instruments and are initially recognised in the accounts at fair value. This only applies to guarantees entered into after 1 April 2006. Any entered into before that date continue to be recognised as contingent liabilities. If payment under the guarantee becomes probable the liability would be determined in accordance with the requirement for provisions.

The County Council discloses contingent assets in the notes to the accounts. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the County Council.

Reserves

A reserve, whether capital or revenue, results from events that have allowed monies to be set aside, surpluses, or decisions causing anticipated expenditure to have been postponed or cancelled. These can be spent or earmarked at the discretion of the County Council. Earmarked revenue reserves can be used to set aside available monies for major anticipated capital schemes, for projects or service arrangements that the County Council may wish to carry out, business unit surpluses, funding to deliver savings or transformation and contingent liabilities where a provision is not required.

Reserves are established and used for different reasons. These include:

- Usable reserves - reserves that can be used at the County Council's discretion to fund either revenue or capital spend
- Unusable reserves - reserves relating to unrealised gains, such as the Revaluation Reserve, that are not "cash backed" and cannot be used to fund future capital or revenue spending and reserves relating to differences between accounting policy and statutory requirements, such as the Capital Adjustment Account.

Earmarked reserves are created by appropriating amounts from the County Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the appropriate directorate. The reserve is then appropriated back into the County Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Group Accounts

The County Council is required to prepare group accounts where it has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. For 2017/18 the County Council did not have any such interests that are considered material and therefore prepared these accounts only as a single entity rather than as group accounts.

The County Council participates in a number of joint operations (e.g. pooled budget arrangements with the health sector). The County Council accounts directly (in its single entity accounts) for its part of the assets, liabilities, income, expenditure and cash flows held within or arising from such an arrangement.

There are a number of circumstances where the County Council exercises limited influence and these are disclosed as related parties. Under these circumstances, transactions with these bodies are charged against the appropriate service in the Comprehensive Income and Expenditure Statement, and balances owed by them or to them are included in debtors and creditors.

Schools

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the Schools Standards and Framework Act 1998, as amended) lie with the local authority. The Code also stipulates that

those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the group accounts). Therefore the transactions, cash flows and balances of the schools maintained by the County Council are recognised in its financial statements as if they were transactions, cash flows and balances of the County Council. Revenue expenditure and income for the maintained schools is included within the People directorate in the Comprehensive Income and Expenditure Statement.

In accordance with the Education Reform Act 1988, the scheme of Local Management of Schools provides for the carry forward of individual school surpluses and deficits. These are held as usable earmarked reserves and are committed to be spent on schools.

Taxation
The County Council is exempt from income tax, corporation tax and from capital gains tax.

Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the County Council is not able to recover VAT on expenditure.

The County Council incurs landfill tax, which is charged on a tonnage basis to the County Council by its waste disposal contractors.

In addition, the County Council incurs stamp duty land tax on the acquisition of property freeholds and leaseholds, climate change levy on its energy bills and insurance premium tax on its insurance costs. Also, the County Council incurs employer's national insurance contributions based on a percentage of staff salaries.

Where the County Council incurs tax, this cost is charged to directorates in the Comprehensive Income and Expenditure Statement.

Pension Fund Accounts
The County Council administers the Oxfordshire Pension Fund that provides pensions and other benefits for former employees of the County and District Councils and other approved bodies (excluding fire-fighters, teachers and public health (former NHS staff), who have their own schemes). The County Council makes a contribution to the fund (in addition to employee contributions). An independent actuary determines the level of the contribution, following a review that takes place every three years. The accounting policies that are used in the Oxfordshire Pension Fund accounts are shown in the Notes to the Pension Fund Accounts.

The County Council also administers the Fire-fighters Pension Fund scheme for Oxfordshire. The notes to the Fire-fighters Pension Fund accounts include the accounting policies used for those accounts.

AUDIT and GOVERNANCE COMMITTEE – 25 APRIL 2018
Internal Audit Strategy and Internal Audit Plan for 2018/19

Report by the Director of Finance

Introduction

1. This report presents the Internal Audit Strategy and Internal Audit Plan for 2018/19. A separate plan for Counter-Fraud activity will be presented to the July 2018 Committee.

Background

2. The Accounts and Audit Regulations 2015 state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper internal audit practices; these are defined as the Public Sector Internal Auditing Standards 2013, updated March 2017.

3. The Public Sector Internal Auditing Standards defines "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

4. The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council's Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis.

5. The Internal Audit Annual Plan has been drafted however will evolve and needs to be dynamic and subject to amendments / responsive to organisational change and resulting emerging risks during the year.

Audit Planning Methodology

6. Our Internal Audit Plan has been developed to consider the corporate vision and priorities of Oxfordshire County Council, the County Leadership Team (CLT) priorities and management's assessment of risk as set out in the corporate and directorate risk registers. The audit plan now includes cross referencing to those priorities and risks.

7. We also use our own risk assessment against each activity assessing their significance, sensitivity and materiality – ranking each activity as high, medium or low priority for inclusion within the Internal Audit Plan.

8. Audit planning is undertaken in accordance with Oxfordshire County Council's Internal Audit Charter.

9. As part of the annual planning process the Chief Internal Auditor meets with each of the Strategic Directors, Directors, Deputy Directors, Finance Business Partners and the Director of Finance. This provides crucial insight and intelligence into the strategic and operational priorities of the organisation. Quarterly meetings with each of the Directorate Leadership Teams are attended to ensure the plan is kept under continuous review. The plan will also be reviewed quarterly with reference to the risk registers, and presented to the Audit and Governance Committee for consideration and comment. This ongoing review and insight enables the audit plan to be flexible to meet any changing assurance needs and risks of the organisation.

10. The Audit and Governance Committee will continue throughout 2018/19 to gain assurance through reports from Senior Management on key areas such as Fit for the Future (transformation programme).

11. Our aim is to align our work with other assurance providers, including the External Auditors, Health Auditors and the Southern Internal Audit Partnership. The Southern Internal Audit Partnership provides annual assurance to Oxfordshire County Council on the adequacy and effectiveness of the framework of governance, risk management and control from the work carried out by the IBC. Individual audit reports on the IBC key financial systems are shared with the Chief Internal Auditor, Director of Finance and Assistant Chief Finance Officer (Assurance). An overall statement of assurance report is produced and presented to the Audit and Governance Committee each year.

12. The Chief Internal Auditor is a member of the Corporate Governance Assurance Group, which supports the monitoring and development of the assurance framework and production of the Annual Governance Statement.

This includes review of the key governance areas through the Corporate Leads.

13. The Chief Internal Auditor continues to attend the Counties Chief Auditor Network (National Group) and also the Midland Counties and Districts Chief Internal Auditors Group to enable networking and to share good practice. This contributes to the internal audit planning activity.

14. The Audit and Governance Committee will receive a quarterly report, including a status update on the approved work plans, and a summary of the outcomes of completed audits.

Counter-Fraud

15. Internal Audit currently have the responsibility for Counter-Fraud. The future model for delivery of both the pro-active fraud plan and management of reactive work / investigations is currently being developed. We are looking to continue to work in collaboration with the Oxford City Investigation Team who deliver our reactive work. However, it is acknowledged that we need to further build and strengthen our pro-active fraud activity.

16. Additional funding has been identified which firstly provides an opportunity to develop a new fraud response model and secondly review the structure and responsibilities within the current Internal Audit Team. (these are outlined below under Internal Audit Resourcing). The fraud risk assessment is being developed and it is proposed that an update on the plans for delivery of Counter-Fraud, along with a Counter-Fraud plan for 2018/19 will be presented to the July 2018 Committee.

Internal Audit Resourcing

17. The Internal Audit Team for 2018/19 comprises of the following resources:

Gross days	=	1582
Less Overheads & Non-Chargeable Days	=	342
Chargeable days available	=	1240

18. There is a reduction of available chargeable days from 2017/18 (1440) to 2017/18 of 200 days. This is because 200 days were included within the 2017/18 resource plan for the Oxford City Council Investigation Team resource. These are not included within the gross and chargeable days figures for 2018/19. This has not impacted on the available chargeable days for audit assignments, this remains at 925 days.

2018/19	FTE	Gross days available (before overheads and non-chargeable days)	Chargeable days available	Chargeable days - audit assignment	Chargeable days – non-assignment	Chargeable days – Counter-Fraud
Chief Internal Auditor	0.7	182	140	60	60	20
Principal Auditor	0.8	208	160	150	10	0
Principal Auditor	0.8	208	160	90	10	60***
Senior Auditor *	1	260	200	150	5	45
Auditor	1	260	200	190	10	0
Auditor	1	260	200	190	10	0
Team Administrator	0.8 (50%)	104	80	0	80	0
I.T. Auditor	0.5	100	100	95	5	0
Total	**6.2 FTE**	**1582**	**1240**	**925**	**190**	**125****

* There is a development opportunity for the Senior Auditor to commence a six-month secondment with the Policy Team, from the beginning of May. It is planned that the chargeable audit days lost from this secondment will be covered with the use of brought in temporary resource, including an increase of the IT auditors purchased days to cover some general audit work.

** The total of 125 chargeable days for counter-fraud, includes only the resource from the in-house team. As reported above a new model for delivery is being developed which includes additional funding. The detail of this will be reported to the July Committee.

*** The development of a new model for counter-fraud will enable a review of the current responsibilities within Internal Audit. It is envisaged that the roles of both Principal Auditors will be reviewed, with the aim of providing development opportunities and providing some further capacity for the Chief Internal Auditor. Whilst this review has not yet been completed, counter fraud days have been included for one of the Principal Auditors to reflect management of pro-active fraud work going forward and potential involvement with the development of the use of continuous monitoring within the organisation in areas of risk of fraud / error and improved used of data analytics within Internal Audit.

Overheads:

This time is for bank holidays, annual leave, special leave, training, contingency for sick absence, and recruitment.

Non-Chargeable Days:

The non-chargeable days are for non-audit related activity, including administration time, staff appraisals, 1:1's and departmental work.

Chargeable days – non-audit assignment:

These are days not attributed to planned audit activity, such as the Chief Internal Auditors management days, admin support for actual audit work, preparation of the audit plan, operational planning, reports for the AWG and Audit Committee, attendance at Directorate Leadership Teams meetings and corporate assurance groups, External Audit liaison and follow up on implementation of agreed management actions.

19. The 925 chargeable days available for audit assignments will be split as following across the directorates

Directorate	Chargeable days available for audit assignments
People (Adults, Children and Public Health)	395
Communities	160
Communities / Resources	60
Resources	185
Corporate / Cross Cutting - Governance	100
Grant Certification	25
TOTAL	**925**

20. Oxfordshire County Council Internal Audit operates in conformance with the Public Sector Internal Audit Standards. We promote excellence and quality through our audit process, application of our Quality Assurance Improvement Programme and training and development. During 2018/19 we will be supporting 3 members of staff to undertake the Chartered Internal Audit qualification. We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

21. The proposed performance indicators for 2018/19 are attached as appendix 1 to this report.

2018/19 Internal Audit Plan

22. Appendix 2 sets out the annual Internal Audit plan for 2018/19.

23. The key focus of audit activity during the year includes

- Financial Management
- Contract Management
- Directorate Strategic Risks
- Implementation of the new Children's IT system
- Oxfordshire Housing & Growth Deal / Capital programme management
- Governance

RECOMMENDATION

24. **The committee is RECOMMENDED to comment and note the Internal Audit Strategy for 2018/19 and 2018/19 Internal Audit Plan.**

LORNA BAXTER
Director of Finance

Background papers: None.
Contact Officer: Sarah Cox 07393 001246

APPENDIX 1   **PERFORMANCE INDICATORS 2018/19**

	Performance Measure	Target	Frequency of reporting	Method
1	Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the CIA, no more than three times the total audit assignment days	Quarterly report to A&G Committee.	Internal Audit Performance Monitoring System
2	Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	Quarterly report to A&G Committee.	Internal Audit Performance Monitoring System
3	Elapsed time between issue of draft report and the issue of the final report	15 Days	Quarterly report to A&G Committee.	Internal Audit Performance Monitoring System
4	% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2019.	Report to A&G Committee.	Internal Audit Performance Monitoring System
5	% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	Quarterly Report to AWG	Action Management Tracking System
6	Customer satisfaction questionnaire (Audit Assignments)	Average score < 2	Report to A&G Committee	Questionnaire
7	Directors satisfaction with internal audit work	Satisfactory or above	Annually - review of the effectiveness of IA - Monitoring Officer report to A&G Committee	Questionnaire

APPENDIX 2: 2018/19 INTERNAL AUDIT PLAN

Audit	Scope	Audit Needs Assessment – Priority	Link to Corporate Vision / priorities & Strategic Directorate Risk Registers	Planned Qtr start
People				
People: Financial Management	The audit will be undertaken across each directorate to provide a strategic view on the robustness of financial management, with a focus on • strategic financial planning and prioritisation, • monitoring and control of income and expenditure, • monitoring and delivery of savings plans • decisions on transforming service delivery are supported by robust financial analysis • financial management mindset, ensuring decisions throughout the organisation are taken considering the financial effects and value for money	H	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Risk Register:* Risk 10 Council Transformation and Cultural Change *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes	Q1/Q2
People: Contract Management - Supplier Resilience	The audit will provide assurance on the processes in place across the people directorate to manage supplier resilience and risk,	H	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Risk Register:* 7 Supply	Q2

			Chain Resilience, Risk 1 Workforce for the future.	
Adults: Payments to Providers (Home Support and Residential)	The audit will provide assurance over the accuracy and integrity of the payments processes in place for payments to residential and home support providers. It will include testing from the initial processes within LAS through to payments and then reporting of those payments through the budget monitoring processes.	H	*Corporate Plan:* Continuously improve our services and provide value for money. Enable older and disabled people to live independently and care for those in greatest need. *CLT Risk Register:* 9 Safeguarding, Risk 6 Relationship with NHS *Adults Risk Register:* JC17 Inappropriate payments (LAS/ContrOCC)	Q1
Adults: Waiting List	The audit will provide assurance over the processes in place for the management of the waiting list including trigger points for escalation where circumstances with service users change.	M	*Corporate Plan:* Continuously improve our services and provide value for money. Enable older and disabled people to live independently and care for those in greatest need. *CLT Risk Register:* 8 Demand Management & Risk 9 Safeguarding *Adults Risk Register:* JC1 Demand, JC18 Wait Data	Q1/Q2
Adults: Client Charging (including ASC debt)	The audit provides assurance over the accuracy, integrity and timeliness of client charging. The scope of the audit will also include the processes in place for the management of Adult Social Care	M	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with	Q3

	debt. The audit will review whether the new contributions policy has been fully implemented and is applied consistently to all applicable service users.		communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes	
Adults – Contract Management – Reablement	The HART (Home Assessment Reablement Team) service began in October 2016 to deliver a single service supporting discharges from hospital through a reablement and discharge to assess model. It is delivered by Oxford University Hospitals NHS Trust. The audit will provide assurance over the governance and contract management of this arrangement.	M	*Corporate Plan:* Continuously improve our services and provide value for money. Enable older and disabled people to live independently and care for those in greatest need. *CLT Risk Register:* 6 Relationship with NHS, Risk 8 Demand Management & Risk 9 Safeguarding *Adults Risk Register:* OP2 Failure of Early Intervention Services	Q1/Q2
Adults – Implementation of pre-paid cards for direct payments	The audit will provide assurance on the implementation and usage of pre-paid cards within Adults. Service users will be able to use the new cards to pay for goods and services to meet their needs as set out within their support plan.	M	*Corporate Plan:* Continuously improve our services and provide value for money. Enable older and disabled people to live independently and care for those in greatest need. *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes	Q3
Children – Implementation of IT system	Children's Services will be moving to Liquid Logic Children's System (LCS) in October 2018.	H	*Corporate Plan:* Continuously improve our services and provide value for money. Give every child a good start in	Q2

			life and protect everyone from abuse and neglect. *CLT Risk Register:* 9 Safeguarding *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	
	LCS will replace Frameworki and will incorporate an Early Help Module (EHM) to better serve the preventative work being undertaken in the Children and Family Centres across the county. The ContrOCC finance system will be integrated into LCS to facilitate financial transactions across the service. Following on from the audit completed in February 2018 a further pre-implementation review will be undertaken in the Summer focussing on key areas of the system design and implementation.			
Children: Training and development	The audit will focus on the robustness of the processes for the training and development of newly qualified social workers, ASYE (assessed and supported year in employment). The audit will also consider the virtual training academy and monitoring of the completion of mandatory and refresher training for all staff.	M	*Corporate Plan:* Continuously improve our services and provide value for money. Give every child a good start in life and protect everyone from abuse and neglect. *CLT Risk Register:* 2 Council Workforce Internal, Risk 9 Safeguarding *CLT Priority*: 3 Supporting a skilled and effective workforce *Children's Risk Register:* CEF 10 Recruitment and Retention of Social Work Staff	Q1
Children: Foster Payments	The audit will follow up on the audit completed during 2017/18 and be undertaken following the implementation of the new	M	*Corporate Plan:* Continuously improve our services and provide value for money. Give every child a good start in life and protect everyone from	Q4

			abuse and neglect. *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes	
Children: Children's Social Care Payments	The audit will follow up on the audit completed during 2015/16 and be undertaken following the implementation of the new Children's Social Care IT system when the finance system will be integrated into the new system. The audit will look to review the processes for children's social care payments to ensure that payments are valid, correctly authorised, that the appropriate procurement method is being used and that spend is effectively monitored.	M	*Corporate Plan:* Continuously improve our services and provide value for money. Give every child a good start in life and protect everyone from abuse and neglect. *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes	Q4
Children: Thriving Families	The conditions of the grant claim require that Internal Audit test a sample of 10% and sign off on each claim submitted.	Mandatory	A requirement of the grant conditions is that Internal Audit independently sample 10% of each claim.	Q2 & Q4
Children: Thames Valley Adoption Service	A regional adoption service has been established. Oxfordshire is the the lead authority, working in partnership with six other councils (Bracknell Forest, West Berkshire, Windsor and Maidenhead,	M	*Corporate Plan:* Continuously improve our services and provide value for money. Give every child a good start in life and protect everyone from abuse and neglect. *CLT Risk Register:* 9 Safeguarding	Q3

			CLT Priority: 11: Managing the business effectively, including through robust governance and decision-making processes	
Children: EDT (Emergency Duty Team)	The audit will provide assurance around the governance, operating and financial processes of the service. (The Service has been managed by Childrens since April 2017 and no longer includes the Adult Mental Health Practitioner Service)	M	Corporate Plan: Continuously improve our services and provide value for money. Give every child a good start in life and protect everyone from abuse and neglect. CLT Risk Register: 9 Safeguarding CLT Priority: 11: Managing the business effectively, including through robust governance and decision-making processes	Q1
Children: Care Placements	The detailed scope for this work is to be agreed however will provide assurance over the governance and operational processes starting with the child/young person entering care.	H	Corporate Plan: Continuously improve our services and provide value for money. Give every child a good start in life and protect everyone from abuse and neglect. CLT Risk Register: 8 Demand Management, Risk 9 Safeguarding. Children's Risk Register CRR15 Safeguarding	Q2
Children: Census Team	The audit will provide assurance over the robustness of the processes for the production of census data for both mainstream	M	Corporate Plan: Continuously improve our services and provide value for money. Give every child a good start in life and protect everyone from	Q1/Q2

	and early years.		abuse and neglect. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	
Communities				
Communities: Financial Management	The audit will be undertaken across each directorate to provide a strategic view on the robustness of financial management, with a focus on • strategic financial planning and prioritisation, • monitoring and control of income and expenditure, • monitoring and delivery of savings plans • decisions on transforming service delivery are supported by robust financial analysis • financial management mindset, ensuring decisions throughout the organisation are taken considering the financial effects and value for money	H	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Risk Register:* Risk 10 Council Transformation and Cultural Change *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes	Q1/Q2
Communities: Financial Management – Income	A specific audit of income streams across the Communities Directorate will be undertaken to provide assurance on the robustness of processes for the identification,	M	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and	Q1

			decision-making processes	
Communities: Highways Contract Payments	The audit will follow up on the contracts payments audit completed in 2016/17, following the implementation of the new system by the contractor.	H	*Corporate Plan:* Continuously improve our services and provide value for money. We provide services that enhance the quality of life in our communities, and protect the local environment *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes *Communities Risk Register:* CRR5 High Volume of Road Defects	Q2
Communities: Waste - Contract Management	The council has major contracts in place for waste management; a 25-year contract for residual waste treatment which manages the ERF (energy recovery facility) at Ardley and also contracts for the management of the seven Household Waste Recycling Centres. The audit will provide assurance over the robustness of contract management arrangements in place.	H	*Corporate Plan:* Continuously improve our services and provide value for money. We provide services that enhance the quality of life in our communities, and protect the local environment *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes *Communities Risk Register:*	Q3

			CRR3 Waste growth	
Communities: S106	The audit will follow up on the audit completed in 2017/18 which had an overall Red conclusion to review the effectiveness of the implementation of the agreed action plan.	H	*Corporate Plan:* Continuously improve our services and provide value for money. We support a thriving local economy by improving transport links to create jobs and homes for the future. We provide services that enhance the quality of life in our communities, and protect the local environment *CLT Risk Register:* 5 Housing, Risk 4 Economic Growth and Infrastructure investment *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes *Communities Risk Register*: SR13 CIL, SV05 planning Responses	Q4
Communities: Property - Facilities Management	The audit will provide assurance over the governance and operating policies and procedures that are being developed since the delivery of property, facilities and energy management was brought back in house, following the collapse of Carilion.	H	*Corporate Plan:* Continuously improve our services and provide value for money. We provide services that enhance the quality of life in our communities, and protect the local environment *CLT Risk Register:* 7 Supply chain, Risk 13 Health & Safety *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	Q2

Communities / Resources				
Communities / Resources: Capital Programme – Governance and Delivery	The audit will follow up on the audit from 2016/17 which had the overall conclusion graded as Red to provide assurance on the effective implementation of the agreed action plan. The scope of the audit will also include the funding from the Oxfordshire Housing and Growth Deal which will be managed via the capital programme governance and delivery arrangements.	H	*Corporate Plan:* Continuously improve our services and provide value for money. We support a thriving local economy by improving transport links to create jobs and homes for the future. *CLT Risk Register:* Risk 3 Environmental Resilience and Sustainability, Risk 4 Economic Growth and Infrastructure investment and Risk 5 Housing *Communities Risk Register:* SV03 Infrastructure Delivery, CRR9 Capacity of market to deliver key capital projects	Q3
Communities / Resources: Oxfordshire Housing and Growth Deal – Accountable body	The Deal, as announced by Government in November 2017, provides £215 million of additional government funding for Oxfordshire, to deliver the key infrastructure required to underpin proposed housing development, and additional funds to increase the supply of affordable housing. Delivery of the Deal will be overseen by the Oxfordshire Growth Board. The Growth Board is a statutory joint committee of the 6 Oxfordshire Local Authorities, the LEP and key strategic partners The audit of the Capital Programme	H	*Corporate Plan:* Continuously improve our services and provide value for money. We support a thriving local economy by improving transport links to create jobs and homes for the future. *CLT Risk Register:* Risk 3 Environmental Resilience and Sustainability, Risk 4 Economic Growth and Infrastructure investment and Risk 5 Housing	Q3

	(see above) will consider the governance and delivery arrangements operating within OCC. This audit will look to provide assurance that Oxfordshire County Council has robust processes in place to deliver its role as the accountable body			
	Resources			
Resources: Financial Management	The audit will be undertaken across each directorate to provide a strategic view on the robustness of financial management, with a focus on • strategic financial planning and prioritisation, • monitoring and control of income and expenditure, • monitoring and delivery of savings plans • decisions on transforming service delivery are supported by robust financial analysis • financial management mindset, ensuring decisions throughout the organisation are taken considering the financial effects and value for money	H	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Risk Register:* Risk 10 Council Transformation and Cultural Change *CLT Priority:* 10: Delivering excellent services for our residents, meeting our statutory duties and working effectively with communities and partners & 11: Managing the business effectively, including through robust governance and decision-making processes	Q1/Q2
Finance - Pensions	An annual audit to test the key	M	*Corporate Plan:* Continuously	Q3

Administration	controls providing assurance that members records are accurately maintained and that payment through the pension's payroll are accurate, timely and legitimate.		improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	
Finance - Purchasing / Procurement	For 18/19 the scope of the audit will focus on the introduction and use of pre-paid cards. – see above audit plan entry under Adults. Hampshire Internal Audit will also provide separate assurance over the IBC operated purchasing and procurement controls and processes.	-	See entry under Adults – prepaid card for direct payments.	-
Finance - Payroll	To provide assurance over the key control processes operated by OCC to ensure that payments are accurate, timely and paid to legitimate employees only. Hampshire Internal Audit provides separate assurance over the IBC operated controls and processes.	M	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	Q4
Finance - Accounts Receivable	To provide assurance over the key control processes operated by OCC to ensure that debtor income is identified, recorded and collected in a timely and efficient manner. Hampshire Internal Audit provides separate assurance over the IBC operated controls and processes.	M	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	Q4
Finance - Treasury Management	To provide assurance over the key	M	*Corporate Plan:* Continuously	Q3

	control processes to provide assurance that council funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.		improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	
ICT – Back-up and Recovery	The audit will follow up on the review undertaken in 2017/18 and will review the procedures and processes for taking, securing and testing backups of corporate ICT systems and data. There are plans to move to a new Backup as a Service solution.	H	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	Q1
ICT - IT Incident Management	A new IT service management tool is being implemented in 2018. The audit will review how incidents and service requests are reported to the IT service desk and managed through to resolution.	M	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	Q3
ICT - Data Centre Refresh	There is a planned review of the strategy to refresh ICT infrastructure. The detailed scope of the audit will be agreed nearer the time.	M	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	Q3
ICT - Network Management	The audit will provide assurance that roles and responsibilities for managing the network infrastructure are defined and that tools are effectively deployed to support this	M	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and	Q3

			decision-making processes	
ICT - Internet and Email Access	As a key area for cyber security, the audit will provide assurance that access to web and email services is restricted and controlled.	M	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	Q4
Corporate / Cross Cutting - Governance				
Fit for the Future – governance arrangements	The next stage of the Council's Fit for the Future transformation programme is underway. From December 2017 new governance arrangements were implemented including establishing a new Fit for the Future Board which is chaired by the Chief Executive. The audit will look to provide assurance that effective governance arrangements are in place throughout the current phase of work.	H	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT risk register*: Risk 10 Council Transformation and Cultural Change *CLT Priority:* 2 Transforming the council in the best interests of our residents, including by seeking local government reorganisation, the Fit for the Future programme, service redesign, encouraging innovation, customer focus	Q1
Fit for the Future – new Target Operating Model	The most significant element of the Fit for Future transformation programme is designing in detail a new operating model for the Council. Assurance will be required that effective governance, risk management and control arrangements are designed and implemented.	H	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT risk register*: Risk 10 Council Transformation and Cultural Change *CLT Priority:* 2 Transforming the council in the best interests of our residents, including by seeking local government reorganisation, the Fit for the Future programme,	Q1 onwards

			service redesign, encouraging innovation, customer focus	
GDPR – General Data Protection Regulation	To review compliance with the new General Data Protection Regulation (GDPR), which replaces the Data Protection Act 1998 on 25th May 2018. GDPR introduces new obligations and requirements for the processing of personal data.	H	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	Q1
Health & Safety	The audit will provide assurance over the Health and Safety arrangements in place both corporately and across the directorates. This will include the identification, management and escalation of health and safety risks.	H	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Risk Register:* 13 Health & Safety	Q1
Business Continuity	Local authorities are deemed a Category 1 responder under the Civil Contingencies Act 2004 and a required to have business continuity plans in place. The audit will provide assurance over the processes for development, testing and maintenance of business continuity plans	M	*Corporate Plan:* Continuously improve our services and provide value for money. *CLT Priority:* 11: Managing the business effectively, including through robust governance and decision-making processes	Q2
Grant Certification				
Grant Certification – various.	There are several requests made throughout the year for Chief Internal Auditor sign off, of grant certifications. For 18/19 these will include: • Local Growth Fund	Mandatory	Chief Internal Auditor sign off – requirement of grant claim conditions.	Q2, Q3, & Q4.

	• Integrated Transport Highways Management Block Grant • Highways Maintenance Challenge Fund • Pot Hole Action Fund • Disabled Facilities Grant • Bus Subsidy Revenue Grant • Cycling Ambition Grant • Safer Roads Fund			
Other (Chargeable days – non-audit assignment)				
There are days which are not attributed to specific planned audit activity and include:	• Chief Internal Auditor's management days • Preparation of the audit plan and operational planning • Reports for the AWG and Audit & Governance Committee • Attendance at Directorate Leadership Teams meetings and regular meetings with Senior Management • Attendance at the Corporate Governance Assurance group including contribution to and overview of the Annual Governance Statement • External Audit liaison • Liaison with other assurance providers, for example Hampshire Internal Audit and OCCG Auditors. • Follow up on implementation of agreed management actions. • Annual self-assessment against internal audit standards – In accordance with the requirements of the Public Sector Internal Audit Standards • Advice and Liaison • Production of the Chief Internal Auditors' Annual Report • Development of data matching / analytics • Contribution to change management programmes, e.g. Fit for the Future. • Admin support for actual audit work			

Division(s):

AUDIT AND GOVERNANCE COMMITTEE 25 APRIL 2018

DRAFT SCRUTINY ANNUAL REPORT

Report by Assistant Chief Executive

BACKGROUND

1. Each year the Scrutiny Annual Report provides a summary of the work and impact of the council's three scrutiny committees; Performance Scrutiny, Education Scrutiny and Health Overview & Scrutiny, and any Cabinet Advisory Groups appointed by Cabinet during the year.

2. The report in attached as Annex 1. It is structured by committee and highlights where scrutiny has had a tangible impact on decision-making and held decision-makers to account. It has been drafted in partnership between Chairmen and Scrutiny Officers.

3. To ensure that scrutiny continues to robustly challenge and influence the decisions of the Council and Health partners, a range of practical steps have been taken to improve the effectiveness of the Council's scrutiny arrangements. These changes have focused on enabling more flexible, councillor-led scrutiny that centres on priority areas for Oxfordshire and balances this against areas of emerging concern.

NEXT STEPS

4. The attached report is draft and will be subject to change following comments from the Audit and Governance Committee and the Performance Scrutiny Committee on 24 May 2018.

5. The final report will be presented to Council on 10 July 2018.

RECOMMENDATION

6. **The Committee is RECOMMENDED to comment on the report prior to its submission to the Performance Scrutiny Committee for review and to Council for approval.**

MAGGIE SCOTT
Assistant Chief Executive

Background paper: Draft Scrutiny Annual Report 2017-18
Contact Officer: Katie Read, Senior Policy Officer
                                07584 909530
April 2018

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OXFORDSHIRE COUNTY COUNCIL

Scrutiny Annual Report

2017 – 2018

Foreword

To be agreed with Chairmen.

**Cllr Liz
Brighouse OBE**

Chairman of the
Performance Scrutiny
Committee

**Cllr Arash
Fatemian**

Chairman of the
Oxfordshire Joint Health
Overview and Scrutiny
Committee

**Cllr Michael
Waine**

Chairman of the
Education Scrutiny
Committee

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Executive Summary

Overview and scrutiny plays a crucial role in holding decision-makers to account, enabling the voice and concerns of the public, and driving service improvement.

In 2017/18 the County Council's three Overview and Scrutiny Committees focused on areas where they could have the greatest influence on outcomes for the people of Oxfordshire. Practical changes continue to be embedded to ensure the scrutiny function remains effective and adds value to the Council's governance and decision-making processes.

The ***Performance Scrutiny Committee*** has continued to use the Business Management Report to inform its work programme. Two working groups have been established to examine the reasons for a falling trend in household recycling rates and the inequalities experienced by young carers. Other key areas where the committee's scrutiny has had an impact include:
- The strategic direction of the Council and progress with council transformation.
- The pressures and areas of concern in the Cabinet's budget proposals for 2018/19.
- How the Council is responding to its equality duties and addressing health inequalities.
- Work to ensure schools and other sites continue to receive key services previously delivered by Carillion.

The ***Education Scrutiny Committee*** has largely focused on the first of three key areas of concern – rising school exclusion rates - through a committee working group. Recommendations from this review will be considered by the Cabinet in April 2018. Other key areas where the committee's scrutiny has had an impact include:
- The Council's response to cyberbullying and development of an Anti-Bullying Charter that schools voluntarily sign up to.
- Lobbying for increased funding to support pupils with high needs.
- Challenging the Regional Schools Commissioner about his management of underperforming academies.

The ***Joint Health Overview and Scrutiny Committee*** business has been mostly concerned with its referral of three issues to the Secretary of State for Health:
- The decision not to re-procure services at Deer Park Medical Centre, leading to the surgery's closure. The committee is reviewing its relationship with the NHS and scrutinising the comprehensive plans for primary care in Witney being developed.
- The temporary closure of obstetric services at the Horton General Hospital. This Secretary of State agreed that closure of the unit for more than 10 months exceeds the definition of 'temporary'.
- The decision to permanently close obstetric services at the Horton General Hospital. The committee is scrutinising further local action to determine the future of maternity services in Oxfordshire and developing joint proposals with the NHS for tackling the issues.

Scrutiny Chairmen continue to meet regularly to share learning and intelligence, identify areas of cross-over, and discuss where there may be gaps in focus. In response to recommendations from the Parliamentary Select Committee inquiry into the effectiveness of overview and scrutiny committees, Chairmen are keen to focus on using external evidence, expertise and good practice to inform future scrutiny activity,

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as well as effectively scrutinising external providers over the course of 2018/19.

Two *Cabinet Advisory Groups* were also established in 2017/18 to deal with specific issues and to help with the development of key policies, namely:
1) The preparation, monitoring and review of the Oxfordshire Minerals and Waste Local Plan, and
2) Highways policy and the rationale for the proposed Oxford Cambridge Expressway
These groups will continue to meet in 2018/19.

1. Introduction

1.1. The Scrutiny Annual Report summarises the activity of the Council's three Overview and Scrutiny Committees in 2017/18, as well as the work of any Cabinet Advisory Groups appointed by Cabinet in this time.

1.2. The report highlights key areas of work each committee has undertaken over the last year and where the influence of scrutiny has been the greatest.

1.3. Following County Council elections in May 2017 a light touch evaluation of the authority's overview and scrutiny function was undertaken to identify practical steps for improving its effectiveness. Consequently, this year scrutiny chairmen have tried to balance scrutiny's role in policy development, with its responsibility to review performance and hold partners and Cabinet to account. New approaches to overview and scrutiny activity are being embedded and tools have been developed to help members identify where scrutiny can have the greatest impact. Each committee is being supported to undertake 'deep dives' into specific areas of concern to make recommendations that will drive forward service improvement.

1.4. Work planning meetings at the start of the year ensured that the committees focused on priority areas of work for Oxfordshire. Councillors were also offered specific training on the role and powers of overview and scrutiny, and the use of different techniques to best utilise the committees' influence.

1.5. Scrutiny chairmen continue to meet regularly to share intelligence, identify areas of cross-over between committees and highlight where there may be gaps in focus.

1.6. Membership details for the Scrutiny Committees and Cabinet Advisory Groups are provided in Annexes 1 and 2 respectively.

2. The role of scrutiny

2.1. Overview and scrutiny arrangements were established under the Local Government Act 2000 and are a mechanism for non-executive councillors to examine the policies and decisions of Cabinet, identify problem areas and issue reports.

2.2. Specifically, the powers and functions of overview and scrutiny committees include the ability to:

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- hold inquiries and produce reports and recommendations to the council executive;
- require executive members and officers to appear before them; and
- require a response to its reports within two months;

2.3. Scrutiny provides the opportunity to challenge policy and decision-makers through an evidence-based investigative process that aims to resolve problems in the public interest and drive service improvements. It does this by holding executives and senior officers to account, but also through facilitating a constructive dialogue between the public and elected representatives. In this respect scrutiny plays an important role in developing policy and ensuring accountability. The Centre for Public Scrutiny (CfPS) articulates the role of scrutiny through four mutually reinforcing principles, which have provided a framework for this evaluation:

    a) Provides 'critical friend' challenge to executive policy-makers and decision-makers,
    b) Enables the voice and concerns of the public,
    c) Is carried out by 'independent minded governors' who lead and own the scrutiny process,
    d) Drives improvement in public services.

3.   Parliamentary Select Committee recommendations for scrutiny

3.1. In December 2017 the Communities and Local Government Select Committee reported on its inquiry into the effectiveness of Local Authority overview and scrutiny committees and made recommendations to Government on the following areas:

    a) The need for clearer guidance on the role of scrutiny and a mechanism for sharing best practice nationally;
    b) The importance of political impartiality, the independence and legitimacy of scrutiny chairmen;
    c) The importance of transparency, access to information and the engagement of external experts and service users;
    d) The appropriate independent, impartial and skilled resourcing of scrutiny,
    e) The monitoring of scrutiny member training and skills;
    f) The need for guidance on promoting the role of the public in scrutiny;
    g) The importance of access to information from service providers and the democratic, publicly visible oversight of Local Enterprise Partnerships;
    h) Clarity that scrutiny is a fundamental part of any future devolution deals.

3.2. Scrutiny chairmen reviewed the Select Committee's findings and recommendations in the context of Oxfordshire's overview and scrutiny function and considered that many of the recommendations are already being actioned locally. They were also reassured to note that some challenges faced locally are reflected nationally.

3.3. Whilst the chairmen believe scrutiny's independence and impartiality is well established in Oxfordshire, the inquiry highlighted that the scrutiny process could be more prominent, and encourage greater public participation and engagement.

3.4. Scrutiny committees should also be using external evidence, expertise and good

practice wherever possible to inform their reviews and recommendations. Chairmen highlighted that seminar-style scrutiny sessions have previously worked well for members to gain expert insight into certain topics, although councillor attendance has not always been consistent. This is an area that the chairmen are keen to focus on improving over the coming year.

3.5. To ensure effective scrutiny and accountability of external providers scrutiny chairmen are also keen to explore whether County Council contracts with service providers can include a requirement to attend scrutiny when requested.

3.6. The Government's response to the inquiry confirms that new guidance will be issued in relation to scrutiny committees later in 2018. This will recommend that scrutiny committees report to Full Council and state that members of the Executive should not participate in scrutiny except as witnesses, including during the scrutiny of external partners. Government will also recommend that councils consider including conditions that support openness and transparency in the tendering of their contracts, but will not go so far as to accept that external providers should be required to attend scrutiny committees.

3.7. In relation to Local Enterprise Partnerships (LEPs) the Government has made a commitment to bring forward reforms to LEP leadership, governance, accountability, financial reporting and geographical boundaries as part of the Industrial Strategy White Paper. It will be publishing these reforms in early 2018.

4. Performance Scrutiny Committee

4.1. The Performance Scrutiny Committee has a membership of 11 county councillors and is chaired by Cllr Liz Brighouse OBE. The councillor membership is politically proportional to the membership of the Council. The committee met seven times in 2017/18.

4.2. The committee's key functions, as outlined in the constitution, include:

- Scrutinising the performance of the council;
- Providing a focused review of corporate performance, directorate performance;
- Scrutinising financial reporting and budgets;
- Raising queries or issues of concern that may occur over decisions being taken in relation to adult social care, to provide a specific committee for addressing such queries;
- Discharging the Council's scrutiny responsibilities under the Police and Justice Act 2006, to review and scrutinise decisions made or actions taken by community safety partners.

4.3. During an informal work programming session in August, councillors identified priority areas of work for the committee over the year. As much as possible, these committee agendas have been 'themed', so that connected topics could be discussed, along with emerging issues. Councillors were particularly keen to focus on the committee's policy shaping role, so there has been a drive to bring areas of work to the attention of the committee at an early stage for input and

constructive comment.

Performance Management

4.4.   The committee continues to use the quarterly Business Management Report as a means for holding the Council to account for the pledges it makes in its Corporate Plan and for determining future areas of scrutiny. Through examining overall performance, the committee plays an important role in driving improvement across some of the council's highest priority services.

4.5.   The committee has remained committed to scrutinising both the council's delivery of services and the performance of contracts, commissioned services and partnerships. For example, in March 2018 the committee reviewed the activity of Oxfordshire's Local Economic Partnership (OxLEP) and challenged how this is contributing to economic growth and increased productivity in the county.

4.6.   A number of key performance areas have held the attention of the committee over the course of the year. Members have regularly sought assurance about the confidence officers have in the projected reduction in the number of Looked After Children. The committee plans to scrutinise the approach being taken to managing demand for children's social care in May and will consider ways for addressing pressures in this area.

4.7.   Delayed transfers of care have continued to be an area of focus, related to issues with staffing the reablement service and problems faced by adult social care in recruiting and retaining care workers in Oxfordshire. Committee members have requested regular reports detailing the breakdown of reasons for delayed transfers of care to explore these issues further, and plan to scrutinise the outcomes of work with social care providers to address workforce issues in July 2018.

4.8.   Members also explored other performance issues relating to spending on home to school transport; the surge in district planning applications; the clearance of social care debtor invoices; and highway maintenance.

4.9.   At the January meeting it was agreed that a working group of committee members would lead a 'deep dive' into the reasons for a falling trend in household recycling rates, particularly considering the impact of varying collection authority policies and changes in the market for waste materials.

4.10. The committee has also been discussing how to better align the reporting of performance data with financial information. Members' requests and suggestions have informed the continuing development of business management reports, including the design of a new high-level dashboard. Proposed closer alignment of monetary reporting – such as on savings, pressures and income – is being factored into existing business reporting methods and will be shared with the committee in 2018/19.

The Council's Strategic Direction and Transformation

4.11. Over the course of the year the committee has been involved in shaping a new direction for the council by reviewing the development of a new Corporate Plan

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and operating model. The committee's views on the draft council prospectus were incorporated in the version presented to Cabinet in October 2017. Members' comments on the full Corporate Plan were fed back to Cabinet in January 2018. The committee advised that the Plan needed to be more accessible, concise and clear, steering staff and service priorities.

4.12. In March 2018 the committee reviewed the council's work with PwC to design a more efficient and effective operating model for the authority to save between £33m and £58m per year and enable political choices to be made about investment in services. The committee highlighted the importance of supporting staff through such large scale cultural change and are keen to understand the impact on staff numbers and vacancies.

4.13. The committee requested that detailed transformation plans are clearly and transparently laid out, so that members and the public can track and challenge the savings to be achieved. Officers were also challenged to look at the council's asset base for generating income, and to reconsider the council's role in building capacity within the voluntary and community sector, if such organisations are to help deliver elements of the required transformational change.

4.14. A progress report will be shared with the committee in July as the design work nears completion.

Service and Resource Planning

4.15. The Performance Scrutiny Committee has overall responsibility for scrutinising budget proposals. At the December and January meetings the committee scrutinised the financial pressures and savings proposals for 2018/19 and the medium term, and the proposed approach to capital expenditure over the next 10 years.

4.16. The committee raised particular concerns about pressures on the high needs block, the scale of proposed savings from reducing the number of children entering care and the impact of changes to the Adult Social Care Contributions Policy.

4.17. The committee will further scrutinise the council's plans to meet and exceed transformation savings in 2018/19, the impact of work to manage the market and the action plan for addressing pressures on Special Educational Needs and Disabilities services. The impact of changes to the Adult Social Care Contributions Policy in 2018 will also be regularly reviewed and members are keen to keep a watching brief on the impact of the Growth Deal on the capital programme, particularly its effect on infrastructure development plans and highway maintenance.

Crime and Community Safety

4.18. In September 2017 members scrutinised the areas of focus in the Thames Valley Police Delivery Plan; reviewed the performance of Oxfordshire's Fire and Rescue Service; examined the priorities in the Community Risk Management Plan and advised on areas for improvement against the delivery of the Community Safety Agreement.

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4.19. Committee members were keen to see greater links forged between the Police, Early Intervention and the Multi-Agency Safeguarding Hub, particularly in using analytics to predict child sexual exploitation and identify hidden harm. The committee requested a report back on Thames Valley Police's research into predicting harm when the Chief Constable next attends the committee.

Safeguarding Children and Adults

4.20. The committee's scrutiny activities help to ensure the council is effectively safeguarding the most vulnerable people within our communities. In October 2017 members scrutinised the safeguarding partnership arrangements in place for adults at risk and noted the recruitment and retention of care workers as a significant concern – the committee intends to scrutinise this issue in further detail at its July 2018 meeting.

4.21. The committee also reviewed the Safeguarding Children Board's annual performance, discussed continuing challenges, as well as learning points from audit and quality assurance work and serious case reviews. Members were concerned about the rising number of children taken into care and reducing referrals for early help. It was agreed to consider learning from serious case reviews when they are published and to scrutinise the effect of partnership working and the early help offer in May 2018.

Equality

4.22. The committee meeting in January 2018 focused on equality. Members reviewed the council's new draft Equality Policy ahead of public consultation and scrutinised progress on the authority's implementation of the Health Inequalities Commission recommendations.

4.23. Members highlighted the importance of diversity in the workforce and dignity at work. The committee intends to focus on workforce issues in July, including a review of inclusivity in the Fire and Rescue Service and the resilience of the Council's workforce. The committee also agreed to review progress against the Equality Policy action plan on an annual basis.

4.24. The committee was particularly surprised that the Health Inequalities Commission made no recommendations in relation to young carers as many of their issues can be hidden ones. It was agreed that a working group of committee members would look in greater detail at how we are identifying and supporting young carers, and report back to the committee in May.

Carillion contract

4.25. Following the liquidation of the council's strategic property maintenance, investment and facilities partner, Carillion in early 2018, the committee scrutinised the initial actions taken by the authority to guarantee business continuity and the delivery of key services to schools and other sites.

4.26. Members raised concerns about the impact of outstanding maintenance and construction work on the capital programme and the council's level of liability. The committee will input into work to establish a 'baseline' position following

services being taken in-house and members plan to review the cost of delivering services before and after the liquidation.

Call-In

4.27. The call-in procedure allows the Performance Scrutiny Committee to compel the Cabinet to reconsider a decision made by its members, but not yet implemented. There must be compelling grounds for review. The committee did not use its call-in powers during 2017/18.

Forward Planning

4.28. In the coming months, the committee intends to scrutinise the following areas:

- **Demand management:** The committee intends to review the effect of partnership working and the early help offer in children's social care, the pressures on staff resources and the impact of work to manage the social care market.
- **Workforce:** The committee will scrutinise work to address pressures on the adult social care workforce, progress reforming the Fire and Rescue Service workforce to be more inclusive and the resilience of the council's wider workforce.
- **Highway customer satisfaction:** The committee plans to review customer satisfaction levels with the condition of Oxfordshire roads, discuss the constraints faced by the council in maintaining these and scrutinise the measures being taken to improve road conditions.

5.   Education Scrutiny Committee

5.1. The Education Scrutiny Committee has a membership of 8 county councillors, 4 co-opted members and is chaired by Cllr Michael Waine. The county councillor membership is politically proportional to the membership of the Council. The Committee met five times in 2017/18.

5.2. The Education Scrutiny Committee provides a county wide view of the provision of all the schools in Oxfordshire. As stated in the Terms of Reference of the Committee, the key functions of the Committee include:
- To assist the Council in its role of championing good educational outcomes for Oxfordshire's children and young people;
- To provide a challenge to schools and academies and to hold them to account for their academic performance;
- To promote joined up working across organisations in the education sector within Oxfordshire;
- To review the bigger picture affecting academic achievement in the county so as to facilitate the achievement of good outcomes;
- To represent the community of Oxfordshire in the development of academic achievement across the county, including responding to formal consultations and participating in inter-agency discussions;
- To contribute to the development of educational policy in the county.

School Exclusions

5.3. A working group investigated the underlying reasons for both fixed term and

permanent exclusions in primary and secondary schools. The group also explored the support available for schools in managing pupils at risk of exclusion, the exclusions process and good practice in schools where rates have been reducing. The group met with headteachers in low and high excluding schools, sought the views of the Children in Care Council and had briefings with officers on specific services.

5.4.   The key findings from the working group were:

- The importance of leadership to promote inclusivity at headteacher and governor level, including a model used in Bristol that has been promoted as good practice. In this model schools and the Local Authority agree that alternative provision can be accessed at much lower costs if a school does not permanently exclude a pupil. The working group have recommended that the council investigates this model with schools across Oxfordshire.
- Alternative provision – the council funds 106 places for pupils aged 5-19 who are either excluded or having difficulties fully accessing education. The working group noted that there is a lack of provision particularly for primary aged pupils and the referral process can be time consuming and complicated.
- Challenging behaviour is the most common reason for permanent or fixed term exclusion which can often be linked to unmet need. The working group acknowledged that managing extreme behaviour can be resource intensive, but noted that there are examples of good practice at schools in Oxfordshire that could be adopted across the county
- Schools receive delegated funding for Special Educational Needs (SEN) and Pupil Premium for disadvantaged pupils, but a few schools fed back that this funding is not enough to cover the costs of bespoke provision for vulnerable learners. The Didcot Partnership was shared as an innovative example of good practice where schools have pooled resources along with a small amount of capital investment from the council to deliver peer-to-peer support for headteachers and SEN Coordinators based at a Didcot school with outreach services.
- School readiness emerged as another factor that can affect the likelihood of a pupil being excluded. The group considered that early identification and preventative work by Health Visitors and Primary Child and Adolescent Mental Health Services (PCAMHS) should help to identify children who may need additional help. Schools themselves also reported that they have a range of strategies to make the transition smoother, but it would be beneficial to promote greater information sharing particularly around vulnerable pupils.

5.5.   The report has made 14 recommendations which will be considered by the Cabinet, with a response due in June 2018.

Anti-bullying Charter

5.6.   In December the committee recommended that the council develops an anti-bullying charter and seeks voluntary sign up from schools in the county. This suggestion was accepted by the Cabinet member and the charter was launched at the end of February. At the time of writing 38 schools have signed up to the charter.

5.7.   In addition to the charter, schools can also work towards a charter mark by

appointing an anti-bullying lead staff member and governor, completing an anti-bullying audit and action plan and taking part in an online survey to tackle bullying. The committee have also suggested that alongside the charter, a one-page summary about tackling cyberbullying should also be produced and schools should be signposted to the council's resources to tackle cyberbullying.

Oxfordshire High Needs funding block

5.8.   The committee considered the results of the Local Authority Inspection of Special Education Needs and Disabilities by Ofsted and the Care Quality Commission (CQC) in December 2017. As a result, the committee highlighted that the county receives comparatively less high needs funding than some county council areas. The chairman wrote to Oxfordshire MPs to raise awareness of this issue who in turn have raised this matter with the Secretary of State for Education. In March, the Parliamentary Under-Secretary of State for Children and Families responded to the concerns raised by the committee. The letter stated that the government is in the process of reforming high needs funding systems to ensure that funding is directed to where they are most needed.

Regional Schools Commissioner

5.9.   The Deputy Director of the Regional Schools Commissioner attended a question and answer session with the committee meeting in March. The committee challenged the Director about the need to tackle underperforming academies in the county in a timely manner to ensure the best outcomes for pupils attending these schools. The committee were also pleased to learn that the Regional Schools Commissioner has a good working relationship with the Local Authority that ensures that there is good partnership working, information sharing and robust challenge on both sides.

Forward Plan

5.10. In the coming months the committee intends to scrutinize the following:

- **Elective Home Education:** The committee identified that there has been a 21% increase in Elective Home Education in Oxfordshire in the past year. A working group is currently investigating the reasons behind this and will be assessing a range of evidence, and meeting with parents/carers who have opted to home educate. The group plans to report back to the committee in June 2018.

- **Secondary School Attendance and Absences:** A working group will investigate secondary school absences after it was highlighted in December that absence rates are higher than the regional and national average. The group will focus on identifying areas of good practice; understanding why certain pupil groups have higher levels of absence than others, particularly young offenders and children in care; whether authorised absences are higher in service families; understanding why absences for medical/dental appointments are higher than the national average and understanding what methods can be used to reduce unauthorised absences. The group will be visiting schools, speaking to a range of officers and engaging with partners in health. This work is scheduled to be completed in September 2018.

- **Secondary School Attainment:** A working group will investigate levels of

secondary school attainment, particularly bridging the gap for vulnerable learners. The committee will seek to understand how Pupil Premium funding is being used in the county and how Oxfordshire compares to other local authorities in terms of the funding it receives; investigating how inclusion is promoted at schools and levels of SENCO activity; the difference in Key Stage 4 offers at secondary schools and the impact that this has on the educational attainment of different learners; and the educational attainment levels of gypsy and traveler communities in Oxfordshire.

6.　Joint Health Overview and Scrutiny Committee

6.1.　The Oxfordshire Joint Health Overview and Scrutiny Committee (HOSC) is a joint committee of County, District and City Councils comprising 12 non-executive voting members (seven county councillors and five district/city councillors) and three co-opted non-voting members. During 2017/18 the Committee has been chaired by Councillor Yvonne Constance OBE until June 2017 and then by Cllr Arash Fatemian for the reminder of the year. The Committee met six times in 2017/18; one of these was a special meeting to discuss Phase One of the Oxfordshire Health Transformation Programme.

6.2.　The primary role of the Committee is to:
- Review any matter relating to the planning, provision and operation of health services in Oxfordshire.
- Review and scrutinise services commissioned and provided by relevant NHS bodies and relevant health service providers.

6.3.　Since February 2017, HOSC has made three referrals to the Secretary of State for Health that have been the focus on much of the Committee's business throughout 2017/18:

No	Referral	Basis of referral	Referral agreed (meeting date)
1	CCG decision not to re-procure services at Deer Park Medical Centre (leading to closure by 31 March)	Regulation 23(9)(a) - consultation inadequate, and Regulation 23(9)(c) - not in interests of people in Witney	02-Feb-17
2	Horton - temporary closure of obstetrics	Regulation 23(9)(b) - Inadequate reasons for no consultation	02-Feb-17
3	Horton - permanent closure of obstetrics	Regulation 23(9)(c) - the decision is not in the best interests of the health service or local residents; and Regulation 23(9)(a) – the content of the two-phase consultation is inadequate.	07-Aug-17

6.4.　All of the referrals were passed by the Secretary of State to the Independent Reconfiguration Panel (IRP) for consideration.

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Deer Park Medical Centre (DPMC)

6.5. Following review of the HOSC referral, the Secretary of State received advice from the IRP in July 2017 that a full review was not warranted and further local action was required. The IRP made a number of recommendations to the Oxfordshire Clinical Commissioning Group (CCG), NHS England (NHSE) and HOSC. The actions for the CCG and NHSE can be summarised as follows:

Recommendation	Progress as reported to HOSC at 8th February 2018
The CCG must continue actively to pursue the objective that all former DPMC patients are registered as soon as possible.	The CCG has written four times to outstanding unregistered patients giving them a choice of new practices to register with. They will now allocate those patients to a suitable practice. HOSC has requested the CCG report back when this process is complete.
The CCG should immediately commission a time limited project to develop a comprehensive plan for primary care and related services in Witney and its surrounds. This needs to be linked to, and integrated with, the wider CCG and Sustainability and Transformation Plan for the whole of Oxfordshire. This work should seek to produce a strategic vision for future primary care provision in line with national and regional aims and should not preclude the possibility of providing services from the Deer Park Medical Centre in the future.	The CCG has developed a plan for primary care and related services in Witney and its surrounds. Similar plans exist for all localities across Oxfordshire.
That NHSE should appoint a third party to review the CCG's engagement on a plan for primary care in Witney and the surrounds.	NHSE commissioned and received a report which reviewed the CCG's engagement on the plan for primary care and related services in Witney and its surrounds. This report has generated a number of recommendations that the CCG needs to respond to. HOSC has asked to see the CCG response.
HOSC should review its relationship with the NHS consider how they can work together differently to command public confidence and maintain an open relationship	Two workshops have been held (January and March 2018) to seek to improve working relationships. Further detail is given below.

6.6. In response the IRP recommendation for HOSC, a 'Ways of Working' workshop was held in January 2018 with HOSC members and Health representatives from the CCG, provider trusts and NHSE. Participants discussed the development of common working principles and the following recommendations were agreed by HOSC in February 2018:

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a) Develop working principles that can be signed up to by HOSC and health colleagues.
b) Amend the change process to introduce a staged approach with different thresholds of change (i.e. minor/temporary/moderate/significant).
c) Introduce more flexible and different ways of working to allow for early engagement, dialogue, feedback, evaluation (for example, briefings, task and finish groups, reference groups, debriefs, visits, annual planning event and training).
d) Robust feedback and communications (e.g. ensure HOSC feedback is recorded and communicated).
e) Set an evaluation and reporting back framework.

6.7. A further workshop was held at the end of March, where participants considered a draft protocol to begin addressing these recommendations. This document will be discussed at HOSC's first 2018/19 meeting for agreement; it will also be reported to the various Boards of the organisations covered by the protocol (including the CCG, Oxford University Hospitals Trust and Oxford Health Foundation Trust).

6.8. As a first step towards working differently, HOSC agreed at its meeting of the 8 February 2018, that a task and finish group would be established to examine the provision of Muscular Skeletal (MSK) services and report back to the Committee. This Group will seek to provide assurance to the Committee that "*MSK services for people in Oxfordshire are provided in a way that achieves the highest possible quality within the available resources".*

Temporary closure of obstetric services at the Horton

6.9. In response to the committee's referral of the CCG's decision to temporarily close consultant-led maternity services at the Horton General Hospital the advice from the IRP and Secretary of State was that the temporary closure was not recommended for a full review. The IRP accepted that the closure of the obstetric unit at the Horton on the grounds of patient safety was correct. However, the IRP did concur with HOSC's view that the closure of the unit for more than 10 months exceeds what can reasonably be considered a 'temporary' closure.

Permanent closure of obstetric services at the Horton

6.10. In response to the committee's referral of the CCG's decision to permanently close consultant-led maternity services at the Horton General Hospital the Secretary of State passed the matter to the IRP for initial assessment.

6.11. Before responding to HOSC the Secretary of State was awaiting the outcome of a Judicial Review of the CCG's consultation process for Phase One of the Transformation Programme (a challenge launched by Cherwell District Council, with support from South Northamptonshire Council, Stratford-on-Avon District Council, Banbury Town Council and interested party Keep the Horton General). Following the High Court hearing the decision was announced on 21 December to dismiss the judicial review.

6.12. The Secretary of State received the IRP report and wrote to state that "*The Panel considers each referral on its merits and concludes that further action is required locally before a final decision is made about the future of maternity services in*

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Oxfordshire". He confirmed his support of the following recommendations on the 7 March 2018:

a) A further, more detailed appraisal of the options, including those put forward through consultation, is required and needs to be reviewed with stakeholders before a final decision is made. Whatever option eventually emerges, it should demonstrate that it is the most desirable for maternity services across Oxfordshire and all those who will need them in the future.

b) The further detailed work on obstetric options at the Horton, advised above, is required. In parallel, the dependency that exists between those options and other services can be taken into account. Both pieces of work would benefit from a further external review from a clinical senate to provide assurance and confidence to stakeholders.

c) It is important that consultation about the future of services, on whatever scale, takes account of patient flows and is not constrained by administrative boundaries.

d) It is self-evidently in the interests of the health service locally that all stakeholders should feel they have been involved in the development of proposals for change. If this was not true of the past, the CCG must ensure that it is so moving forward.

e) The experience of the Phase 1 consultation provides cause for some reflection and the need to learn from the experience for the NHS, the JHOSC and other interested parties. This requires renewing a joint commitment to learn from recent experience, work together better and create a vision of the future that sustains confidence amongst local people and users of services. It is in everyone's interest that the next phase is commenced as soon as is practicable.

f) HOSC and the CCG to work together to invite stakeholders from surrounding areas that are impacted by these proposals to participate in this debate going forward. This should include the consideration of forming a joint oversight and scrutiny committee covering a wider area (for example all of the local authorities that took part in the consultation) which would help meet the concerns expressed in the IRP's report of their review.

g) Where the CCG consults more than one local authority about a proposal, they must appoint a joint overview and scrutiny committee for the purposes of the consultation

h) HOSC and CCG to develop a joint proposal for tackling the issues.

6.13. HOSC and the CCG are considering their response to the recommendations and will put forward a proposal to HOSC at its next meeting in April 2018.

6.14. Although the referrals have dominated recent HOSC business, the following items have also been considered:

- Potential changes to Banbury Health Centre
- Director of Public Health's Annual Report
- Response by the Health and Wellbeing Board to the Health Inequalities Commission report
- Managing the impact of winter on Oxfordshire's health system
- Stroke rehabilitation services
- Chemotherapy services at the Churchill Hospital.

Forward Plan

6.15. In the coming months, the committee intends to scrutinise the following:

- **Winter Plan:** The committee intends to review the effectiveness of the plan presented to HOSC in November.
- **CQC inspection:** Members will scrutinise Health and Social Care's response to the outcomes of the CQC inspection.
- **Health Inequalities:** The committee intends to review the progress of implementing the Health Inequalities Commission recommendations every six months.

6.16. Following discussions regarding HOSC's forward plan, the Chairman, intends to meet with the Chairmen of the Health and Wellbeing Board and Health Improvement Board. This is to ensure all councillor health-related meetings are well aligned to give appropriate and due consideration to issues specific to Oxfordshire.

7. Cabinet Advisory Groups

7.1. Cabinet Advisory Groups (CAGs) are informal councillor working groups designed to help Cabinet consider how to deal with specific issues, and to help in the development of key policies. Topics can be proposed by any member or scrutiny committee and must be agreed by Cabinet. They are not formal meetings of the council, and nor do they have the status of an advisory committee under the Local Government Act 1972. They are chaired by the relevant Cabinet portfolio holder and report directly to Cabinet.

7.2. There are currently two CAGs in operation:

Minerals and Waste CAG

7.3. The Minerals and Waste Cabinet Advisory Group was established to provide guidance and feedback on the preparation, monitoring and review of the Oxfordshire Minerals and Waste Local Plan, taking into consideration external feedback on the provision made for minerals and waste development and extraction, the implications of this activity in Oxfordshire, and changes in the national planning policy framework. It is chaired by Cllr Yvonne Constance, Cabinet Member for Environment and meets in private.

7.4. The Oxfordshire Minerals and Waste Local Plan covers the period 2017 to 2031

7.5. The CAG meets as required. In late 2017 they reviewed the proposed draft Local Aggregate Assessment, and examined initial work on preparation of Part 2 of the local Plan, which is the Site Allocations Plan ahead of external consultation.

7.6. In March 2018, the CAG considered the Site Allocations assessment criteria - a methodology for the selection of sites to be allocated in the plan and a Sustainability Appraisal scoping report (including the requirements for Strategic Environmental Assessment) - based upon the responses to the external

consultation governing the site allocation methodology. They also looked at proposed sites for mineral extraction, in order to meet the agreed extraction quantities. They considered the Statement of Common Ground, between Oxfordshire County Council, and three neighbouring counties, regarding mineral extraction sites. This supports governments Duty to Cooperate, between councils.

7.7.   The CAG will continue to meet in 2018/19, to support the publishing of Part 2 – Site Allocations, of the Minerals and Waste Local Plan. A report is scheduled to be presented to Cabinet in May 2018 about the Site Allocations Plan.

Transport CAG

7.8.   The Transport Cabinet Advisory Group was established in January 2018 to initially review Highways policy and the rationale for the proposed Oxford Cambridge Expressway, including the approach of Highways England to consultation on the selection of a route. The group is chaired by Cllr Yvonne Constance, Cabinet Member for Environment and meets in private.

7.9.   The CAG has so far met monthly and has reviewed County Council policy on Highways inspections, the process for setting local speed limits and roadside memorials.

7.10. The group has also reviewed three Oxford Cambridge Expressway corridors proposed by Highways England and an alternative corridor not currently included in the proposals. The Expressway is designed to drive economic growth and make the most of England's Economic Heartland. The CAG agreed one corridor it would not support and awaits evidence from Highways England to consider the others.

7.11. Councillors are currently forming a response to the Highways England stakeholder consultation on the preferred corridor. The CAG will continue to meet in 2018/19.

8. Conclusion

8.1.   Oxfordshire County Council's scrutiny committees continue to place emphasis on those areas where they can have the greatest influence on outcomes for the people of Oxfordshire.

8.2.   With a continuing focus on partnership working, the commissioning of services, and integration in some areas, it is increasingly important for scrutiny committees to effectively scrutinise the work our partners and providers and hold them to account where necessary. This is an area that scrutiny chairmen are keen focus on improving over the coming year.

8.3.   The chairmen are committed to finding ways to improve the effectiveness of overview and scrutiny arrangements, whether that is through constructive challenge, the search for good practice or shaping policy to deliver demonstrable changes. Practical steps to improve scrutiny arrangements will continue to be explored, whilst the Council's wider governance review considering alternative governance and committee models may ultimately recommend a different

structure for scrutiny longer term.

Annex 1: Scrutiny Committee Membership

Performance Scrutiny Committee
Councillor Liz Brighouse OBE (Chairman)
Councillor Jenny Hannaby (Deputy Chairman)
Councillor Nick Carter
Councillor Mike Fox-Davies
Councillor Tony Ilott
Councillor Liz Leffman
Councillor Charles Mathew
Councillor Glynis Phillips
Councillor Emily Smith
Councillor Michael Waine
Councillor Liam Walker

Education Scrutiny Committee
Councillor Michael Waine (Chairman)
Councillor Anda Fitzgerald-O'Connor (Deputy Chairman)
Councillor Jeannette Matelot
Councillor Suzanne Bartington
Councillor Sobia Afridi
Councillor Gill Sanders
Councillor John Howson
Councillor Alan Thompson

Education Scrutiny Co-Optees
Mr Richard Brown

Education Scrutiny Non-Voting Members
Carole Thomson

Health Overview and Scrutiny Committee (HOSC)
Councillor Arash Fatemian (Chairman)
District Councillor Monica Lovatt (Deputy Chairman)
Councillor Kevin Bulmer
Councillor Mark Cherry
Councillor Dr Simon Clarke
Councillor Mike Fox-Davies
Councillor Laura Price
Councillor Alison Rooke
District Councillor Nigel Champken-Woods
District Councillor Andrew McHugh
District Councillor Neil Owen
District Councillor Susanna Pressel

HOSC Co-Optees
Dr Alan Cohen
Dr Keith Ruddle
Mrs Anne Wilkinson

Annex 2: Cabinet Advisory Group Membership

Minerals and Waste Cabinet Advisory Group
Councillor Yvonne Constance (Chairman)
Councillor Lynda Atkins
Councillor Ted Fenton
Councillor Mark Gray
Councillor Bob Johnston
Councillor Lorraine Lindsay Gale
Councillor Charles Mathew
Councillor John Sanders
Councillor Richard Webber

Transport Cabinet Advisory Group
Councillor Yvonne Constance (Chairman)
Councillor Lynda Atkins
Councillor Ted Fenton
Councillor Mike Fox-Davies
Councillor Bob Johnston
Councillor Jeannette Matelot
Councillor George Reynolds
Councillor Judy Roberts
Councillor John Sanders
Councillor Liam Walker

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Audit Progress Report

Oxfordshire County Council

April 2018

Ernst & Young LLP

EY

Building a better
working world

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Reading
RG1 1YE

Members of the Audit and Governance Committee
Oxfordshire County Council   13 April 2018
County Hall
New Road
Oxford
OX1 1ND

Dear Members,

Audit Progress Report 2017/18

We are pleased to attach our Audit Progress Report.

The report sets out the work we have completed since our last report to the Audit and Governance Committee. Its purpose is to provide the Committee with an overview of the stage we have reached in your 2017/18 audit and to ensure our audit is aligned with Committee expectations.

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 to understand whether there are other matters which you consider may influence our audit at this point.

Yours faithfully

Paul King
Associate Partner
For and behalf of Ernst & Young LLP
Enc

Contents

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1.   Planned work

Fee Letter and Audit Plan

We issued our 2017/18 Fee Letter to the Council in April 2017 and our 2017/18 Audit Plan was presented to the Audit and Governance Committee meeting on 7 March 2018.

Financial Statements

We adopt a risk-based approach to the audit and, as part of our ongoing continuous planning we continue to meet key officers regularly to ensure the 2017/18 audit runs as smoothly as possible and to identify any risks at the earliest opportunity. This includes meetings with staff from the Council to discuss issues arising from the 2016/17 audit and to examine ways to enhance the audit process for the 2017/18 financial statements, in particular to carry out early substantive testing as set out below.

Interim visit

Systems

We completed our interim work to identify the Council's material income and expenditure systems and to walk through these systems in November 2017.

Early Substantive Testing

We scheduled an interim visit in March 2018 to carry out early substantive testing covering the first nine months of the year. Our main areas of focus were:

► income and expenditure testing;

► Property, Plant and Equipment (PPE) additions, disposals, existence and valuations testing;

► review of significant contracts;

► accounting policies;

► exit packages; and

► testing of starters and leavers.

Where we have completed testing to month nine, we will perform top up testing in these areas at year end. Carrying out this early substantive testing will reduce the time required to complete the audit at the post statements stage.

Our early substantive testing has not identified any issues we wish to bring to your attention.

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Update to the Audit Plan

In our Audit Plan we included the identification of significant risks and our planned procedures to address those risks. One of these risks was Management Override of Control (extract from the Audit Plan below)

Management Override of Control	What is the risk?	What will we do?
	As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	We will: ▶ test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ review accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to PPE, the pension liability and PFI; ▶ consider the completeness of the minimum revenue provision (MRP) charge; and ▶ evaluate the business rationale for significant unusual transactions. We will utilise our data analytics capabilities to assist with our work, including carrying out testing on the Income and Expenditure accounts, and journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.
Financial statement impact		
Misstatements that occur in relation to the risk of fraud by management override could affect the income and expenditure accounts, alongside significant balance sheet accounts where key estimates are processed.		

Following further review of this risk, under section "What will we do?" we will also include the following procedure:

> ► Review accounting policies with particular focus on changes made these or where policies are different to those suggested by the CIPFA Code.

As set out above, we have already undertaken work in this area at our interim visit, and this has not identified any issues and we will also review the accounting policies at year end.

Value for money

The Comptroller and Auditor General (C&AG) issued Auditor Guidance Note 3 (AGN 03) – Auditors' work on VFM arrangements. We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in the use of resources.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

· Take informed decisions;

· Deploy resources in a sustainable manner; and

· Work with partners and other third parties.

As part of our planning work, we identified one significant risk around working with partners and third parties, particularly with a focus on the Council's dealings with Carillion both before and after their liquidation.

As our audit work progresses we keep monitoring the situation and will keep you informed how results may affect our value for money conclusion.

Other Issues of Interest

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

2. Timetable

Audit and Governance Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we have agreed to provide to you through the 2017/18 Audit and Governance Committee cycle.

We will report to the Audit and Governance Committee throughout the audit as outlined below. This report summarises the progress made at this point. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit and Governance Committee Chairman as appropriate.

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

Audit phase	Timetable	Deliverables
High level planning:	**April 2017**	Fee Letter provided to the Council
Risk assessment and setting of scopes	**November to March 2018**	Audit Plan
Early Substantive Testing	**March 2018**	Progress Report
Update on work completed to date	**April 2018**	Progress Report
Value for money conclusion	**November 2017 to July 2018**	Ongoing
Year-end audit	**June to July 2018**	Report to those charged with governance Audit reports (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate Whole of Government Accounts Certifications
Reporting	**September 2018**	Annual Audit Letter

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Appendix A   Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter		Completed	
Audit Plan	March 2018	Completed	
Report to Those Charged with Governance	September 2018	Not due yet	
Audit Report (including opinion and vfm conclusion)	September 2018	Not due yet	
Audit Certificate	September 2018	Not due yet	
WGA Certificate	September 2018	Not due yet	
Annual Audit Letter	September 2018	Not due yet	

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Oxfordshire County Council

Internal Audit Services

Annual Report of the Chief Internal Auditor

2017/18

OXFORDSHIRE
COUNTY COUNCIL
INTERNAL AUDIT SERVICES

Author: Sarah Cox, Chief Internal Auditor. April 2018

1   INTRODUCTION

1.1   Background

1.1.1   The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards 2013 (PSIAS) updated in 2017, which sets out proper practice for Internal Audit, requires the Chief Internal Auditor (CIA) to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies and effectiveness of the internal control environment, comprising risk management, control and governance.

1.1.2   Oxfordshire County Council's Internal Audit service conforms to the PSIAS 2017.

1.1.3   The Accounts and Audit Regulations 2015 require the Annual Governance Statement (AGS) to be published at the same time as the Statement of Accounts is submitted for audit and public inspection. In order for the Annual Governance Statement to be informed by the CIA's annual report on the system of internal control, this CIA annual report has been produced for the April Audit and Governance Committee meeting. This is the full and final CIA annual report.

1.2   Responsibilities

1.2.1   It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.

1.2.2   The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly (financial and non-financial). It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:

- The Council can establish the extent to which they can rely on the whole system; and,

- Individual managers can establish how reliable the systems and controls for which they are responsible are.

1.3   Internal Control Environment

1.3.1   The PSIAS require that the internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

1.3.2   The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;

- Reliability and integrity of financial and operational information;

- Effectiveness and efficiency of operations and programmes;

- Safeguarding of assets; and

- Compliance with laws, regulations, policies, procedures and contracts.

1.3.3   In order to form an opinion on the overall adequacy and effectiveness of the control environment the internal audit activity is planned to provide coverage of financial controls, through review of the key financial systems, and internal controls through a range of operational activity both within Directorates and cross cutting, including a review of risk management and governance arrangements. The Chief Internal Auditor's annual statement on the System of Internal Control is considered by the Corporate Governance Assurance Group when preparing the Council's Annual Governance Statement.

1.4   The Audit Methodology

1.4.1   The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards is completed by the Chief Internal Auditor. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This was undertaken by Cipfa in November 2017 and the results were reported to the Audit & Governance Committee in January 2018. This confirmed that the "service is highly regarded within the Council and provides useful assurance on its underlying systems and processes" Minor improvements required have been addressed.

1.4.2   The Monitoring Officer has conducted a survey of Senior Management on the effectiveness of Internal Audit. The results from this survey were presented to the July 2017 Audit & Governance Committee meeting. The conclusion from the survey was that management find the internal audit service effective in fulfilling its role.

1.4.3   The Internal Audit Strategy and Annual Plan for 2017/18 were approved by the Audit and Governance Committee, who received quarterly progress reports from the CIA, including summaries of the audit findings and conclusions. The Audit Working Group also routinely received reports from the Chief Internal Auditor, highlighting emerging issues and for monitoring the implementation of management actions arising from internal audit reports.

1.4.4   The Internal Audit Plan, which is subject to continuous review, identified the individual audit assignments. The activity was undertaken using a systematic risk-based approach. Terms of reference were prepared that

outlined the objectives and scope for each audit. The work was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence in forming an overall opinion on the adequacy and effectiveness of the internal control framework.

1.4.5 Internal Audit reports provide an overall conclusion on the system of internal control using one of the following ratings:

GREEN   There is a strong system of internal control in place and risks are being effectively managed.

AMBER   There is generally a good system of internal control in place and the majority of risks are being effectively managed. However, some action is required to improve controls.

RED   The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.

1.4.6 In appendix 1 to this report there is a list of all completed audits for the year showing the overall conclusion at the time audit report was issued, and the current status of management actions against each audit, (based on information provided by the responsible officers).

1.4.7 To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Principal Auditor or Chief Internal Auditor to perform quality reviews at four stages of the audit assignment: the terms of reference, file review, draft report and final report stages.

1.5 The Audit Team

1.5.1 During 2017/18 the Internal Audit Service was delivered by an in-house team, supported with the specialist area of IT audit which is outsourced, and external resource to cover the maternity absence of one of the Principal Auditors. The team also work in collaboration with the Oxford City Council Investigation Team who provides counter-fraud resource.

1.5.2 Throughout the year the Audit and Governance Committee and the Audit Working Group were kept informed of staffing issues and the impact on the delivery of the Plan.

1.5.3 It is a requirement to notify the Audit and Governance Committee of any conflicts of interest that may exist in discharging the internal audit activity. There are none to report for 2017/18.

2 OPINION ON SYSTEM OF INTERNAL CONTROL

2.1 Basis of the Audit Opinion

2.1.1 The 2017/18 Internal Audit Plan has been completed, with all reports finalised.

2.1.2 The plan is intended to be dynamic and flexible to change. It was revised during the year, and seven audits originally planned have been cancelled or deferred until 2018/19 plan. There were also two audits added to the plan. (these amendments were reported to the January 2017 Audit and Governance Committee meetings):

Cancelled or deferred:

- Transitions – from Children to Adults
- Main Accounting – feeder systems
- EDT (Emergency Duty Team)
- ICT incident Management
- Contract Management
- Programme Management Office
- Capital Programme – Governance and Delivery

Additions to plan:

- VAT
- Additional Thriving Families Claim (3 in total made)

2.1.3 The completed internal audit activity and the monitoring of audit actions through the action tracker system enable the Chief Internal Auditor (CIA) to provide an objective assessment of whether systems and controls are working properly. In addition to the completed internal audit work, the CIA also uses evidence from other audit activity, including counter-fraud activity, and attendance on working groups e.g. Corporate Governance Assurance Group.

2.1.4 In giving an audit opinion, it should be noted that assurance can never be absolute; however, the scope of the audit activity undertaken by the Internal Audit Service is sufficient for reasonable assurance, to be placed on their work.

2.1.5 A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown in Appendix 1.

2.1.6 There have been 33 audits undertaken in 2017/18. There have been four audits which have been graded as RED during 2017/18; Mental Health follow up audit, S106, VAT and Security Bonds.

2.1.7   The overall opinion for each audit, highlighted in Appendix 1, is the opinion at the time the report was issued. The internal audit reports contain management action plans where areas for improvement have been identified, which the Internal Audit Team monitors the implementation of by obtaining positive assurance on the status of the actions from the officers responsible. The current status of those actions is also highlighted in appendix 1, for each audit. Reports on outstanding actions have been routinely presented to Directorate Leadership Teams, and the Audit Working Group. The Chief Internal Auditors opinion set out in section 2.2 takes into account the implementation of management actions.

2.1.8   As part of governance arrangements developed when Oxfordshire County Council joined the Hampshire Integrated Business Centre (IBC) Partnership in July 2015 it was agreed that the Southern Internal Audit Partnership would provide annual assurance to Oxfordshire County Council on the adequacy and effectiveness of the framework of governance, risk management and control from the work carried out by the IBC. The statement of assurance report has been received and is included in Appendix 3 of this report. The overall opinion given is that the framework of governance, risk management and management control is 'Adequate' and audit testing has demonstrated controls to be working in practice. Individual audit reports produced on the IBC key financial systems by Southern Internal Audit Partnership have been shared with Oxfordshire County Council.

2.1.9   The Anti-fraud and corruption strategy remains current and relevant. In 2017/18 the Audit & Governance Committee have been updated on reported instances of potential fraud. Most of these are minor in nature. A recent referral has been made of more significant value, this is currently subject to initial investigation and a further update will be made to the July 2018 Audit & Governance Committee.

2.1.10   The National Fraud Initiative data matching reports for the 2016 data match exercise have now been received. The majority of the key matches have been reviewed and investigated and results are reported to the Audit & Governance Committee in the quarterly updates. Outstanding matches will be completed during Q1 of 2018/19.

2.1.11   It should be noted that it is not internal audit's responsibility to operate the system of internal control; that is the responsibility of management. Furthermore, it is management's responsibility to determine whether to accept and implement recommendations made by internal audit or, alternatively, to recognise and accept risks resulting from not taking action. If the latter option is taken by management, the Chief Internal Auditor would bring this to the attention of the Audit and Governance Committee.

     The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

2.1.12   In arriving at our opinion, we have taken into account:

- The results of all audits undertaken as part of the 2017/18 audit plan;

- The results of follow up action taken in respect of previous audits;

- Whether or not any priority 1 actions have not been accepted by management - of which there have been none;

- The effects of any material changes in the Council's objectives or activities;

- Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.

- Assurance provided by Southern Internal Audit Partnership on the effectiveness of the framework of governance, risk management and control from the work carried out by the IBC on behalf of Oxfordshire County Council.

- Corporate Lead Assurance Statements on the key control processes, that are co-ordinated by the Corporate Governance Assurance Group (of which the CIA is a member of the group), in preparation of the Annual Governance Statement.

2.2 Chief Internal Auditors Annual Opinion

In my opinion, for the 12 months ended 31 March 2018, there is **satisfactory** assurance regarding Oxfordshire County Council's overall control environment and the arrangements for governance, risk management and control.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective action and timescale for improvement.

This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

Oxfordshire County Council's Internal Audit service conforms to the Public Sector Internal Audit Standards (2017)

2.2.1 The outcomes of the audits, including a summary of the key findings are reported quarterly to the Audit and Governance Committee. The summaries of the audits completed since the last report (January 2018) are attached as appendix 2;

- VAT
- Troubled Families (Claim 2)
- Insurance
- Safer Recruitment
- Innovation & Research
- ICT Back-up & Recovery
- Children's IT Replacement System

- Troubled Families (Claim 3)
- Direct Payments Follow Up
- Pension Fund
- Pensions Administration Accounts Receivable
- Client Charging
- Mental Health Follow Up
- Security Bonds
- Payroll
- Purchasing
- Supported Transport
- Children's Contract Management

2.3 Internal Audit Performance

2.3.1 The following table shows the performance targets agreed by the Audit Committee and the actual 2017/18 performance.

2.3.2 It is pleasing to report the improvement in achieving the target for issue of final reports, increasing from 75% to 92% and that 100% of the plan has been completed before the end of April 2018.

Measure	Target	Actual Performance 2017/18
Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the Audit Manager, no more than three times the total audit assignment days	60% of the audits met this target. (2016/17 this was 60%, 2015/16 this was 58%, 2014/15 this was 52%)
Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	95% of the audits met this target. (2016/17 this was 94%, 2015/16 this was 96%, 2014/15 this was 83%)
Elapsed time between issue of draft report and the issue of the final report	15 Days	92% of the audits met this target. (2016/17 this was 75%, 2015/16 this was 48%, 2014/15 this was 69%)
% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2018.	100% of the plan has been completed by the end of April 2018. (2016/17 this was 100%, 2015/16 this was 66%, 2014/15 this was 64%)

Measure	Target	Actual Performance 2017/18
% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	As at 11 April 2018: 761 actions being monitored on the system. • 71% implemented • 18% not yet due • 7% partially implemented • 3% overdue
Customer satisfaction questionnaire (Audit Assignments)	Average score < 2	Based on 8 questionnaires returned the average score was 1.03 16/17 was 1.13 and 15/16 was 1.13
Directors satisfaction with internal audit work	Satisfactory or above	The results of this will be reported to the July Audit & Governance Committee

RECOMMENDATION

The committee is RECOMMENDED to:

• Consider and endorse this annual report.

Sarah Cox, Chief Internal Auditor, April 2018

APPENDIX 1 - Implementation status of 2017/18 management actions.

Note implementation status is reported by management. Internal Audit has not yet undertaken any further testing to confirm.

Directorate	Audit	Overall Conclusion at Final Report Stage	Number of Management Actions agreed	Reported implementation status as at 03 April 2018
People	Safer Recruitment	Amber	8	8 not yet due
Adults	Payments to Residential and Home Support Providers	Amber	11	2 not yet due, 8 implemented and 1 ongoing
Adults	Client Charging (including ASC debt)	Amber	19	18 not yet due and 1 implemented.
Adults	Direct Payments	Amber	5	5 not yet due.
Adults	Mental Health Follow Up	Red	10	10 not yet due.
Adults	Adult Mental Health Practitioner Service	Amber	6	2 not yet due, 2 implemented and 2 overdue
Childrens	Troubled Families – October Grant Claim	n/a	3	3 implemented.
Childrens	Troubled Families – January Grant Claim	n/a	1	1 implemented.

Directorate	Audit	Overall Conclusion at Final Report Stage	Number of Management Actions agreed	Reported implementation status as at 03 April 2018
Childrens	Troubled Families – March Grant Claim	n/a	2	2 not yet due.
Childrens	CEF Contract Management	Amber	7	7 not yet due
Childrens	Fostering Service	Amber	15	4 not yet due, 7 implemented and 4 ongoing.
ICT / Childrens	Childrens Social Care IT System Replacement	Amber	16	9 not yet due, 1 implemented and 6 overdue
Public Health	Combined Contract Management Audit / Counter Fraud Review	Green	0	n/a – no management actions arising
Communities	S106	Red	31	14 not yet due, 7 implemented,7 partially implemented and 3 overdue.
Communities	Supported Transport	Amber	31	31 not yet due
Communities	Research and Innovation	Amber	5	4 not yet due and 1 overdue.
Communities	Highways Contract Payment - follow up	n/a	0	n/a

Directorate	Audit	Overall Conclusion at Final Report Stage	Number of Management Actions agreed	Reported implementation status as at 03 April 2018
Communities	Security Bonds	Red	17	17 not yet due
Finance	Pensions Administration	Amber	14	12 not yet due, 1 implemented and 1 overdue.
Finance	Pensions Fund	Green	1	1 not yet due.
Finance	Accounts Receivable	Green	4	4 not yet due
Finance	Payroll	Amber	2	2 not due
Finance	Purchasing / Procurement	Amber	10	10 not yet due
Finance	VAT	Red	6	1 not yet due, 3 implemented, 1 partially implemented and 1 overdue.
Finance	Insurance	Green	2	2 not yet due.
Corporate / ICT	Fit for the Future - Digital First Platform -Programme Governance Review	Amber	8	7 implemented and 1 partially implemented.

Directorate	Audit	Overall Conclusion at Final Report Stage	Number of Management Actions agreed	Reported implementation status as at 03 April 2018
HR / Corporate	Sickness management	Amber	4	2 not yet due and 2 implemented.
HR / Corporate	Establishment control / HR data	Amber	5	4 implemented and 1 overdue.
ICT	Cyber Security	Amber	20	18 implemented, 1 partially implemented and 1 overdue.
ICT	Disposal of Equipment	Amber	8	8 implemented.
ICT	PSN compliance (Public Services Network)	Amber	4	1 not yet due, 1 implemented and 2 overdue.
ICT	Mobile Computing	Green	3	2 implemented and 1 partially implemented.
ICT	ICT backup and recovery	Amber	3	3 not yet due.
Corp	Grant Certification (requests throughout year for CIA sign off)	n/a	n/a	n/a
Corp	Proactive review - Travel &	Green	0	

Directorate	Audit	Overall Conclusion at Final Report Stage	Number of Management Actions agreed	Reported implementation status as at 03 April 2018
	Expenses			
Corp	Proactive review – Purchasing Cards	Amber	5	5 overdue.

APPENDIX 2

Summary of Completed 2017/18 Audits since last reported to the Audit & Governance Committee - January 2018.

VAT Audit 2017/18

Opinion: Red	26 January 2018	
Total: 6	Priority 1 = 1	Priority 2 = 5
Current Status:		
Implemented	3	
Due not yet actioned	1	
Partially complete	1	
Not yet Due	1	

Overall Conclusion is Red

VAT Coding Accuracy

The audit identified a 41% error rate in output VAT coding in the sample of 96 transactions reviewed across 10 service areas during the audit (errors were identified in nine of the 10 Cost Centres tested), highlighting significant deficiencies in the controls in place across OCC relating to VAT coding.

These errors included an absence of a VAT code altogether; use of incorrect tax codes for 0% VAT; VAT charged when it should not have been & vice versa and VAT being charged but not subsequently coded to the VAT account. For example, in four individual cases, VAT had been incorrectly charged to service users. In twelve individual cases, VAT had been charged on services but not subsequently coded to VAT and therefore was retained within the cost centre budget.

There is a risk therefore that the monthly amount paid to/reclaimed from HMRC is incorrect. A further risk is the impact upon the 'partial exemption' calculation which could be incorrect when the wrong 0% VAT code is used, resulting in the Council being pushed above the 'partial exemption' threshold of 5%. However, the VAT Manager at IBC has informed OCC that the risk of this is low due to the ongoing checks in place which monitor the partial exemption threshold.

Staff Training and Guidance

From interviews with the Cost Centre managers and their finance support, it was clear that sufficient training has not been provided to ensure that output VAT is coded correctly, as there was a degree of misunderstanding about what each VAT code means and what the proper treatment of charges levied by the Council ought to be. In many cases the current VAT coding process was the same as had been followed for many years, despite a recognition that it may be incorrect.

The VAT Manual on the Intranet is comprehensive; however, it is not the most up-to-date version. The Fees & Charges document is reviewed annually; however, it had already been identified prior to the audit that there are several errors in VAT coding in this document and a correction process is underway. Internal Audit

noted during site visits and discussions that the VAT Manual and Fees & Charges document are not routinely used or referred to by services to ensure correct VAT coding or to seek answers to queries.

The audit also noted deficiencies relating to inconsistency of income practices across OCC, as well as incorrect practices continuing over a number of years, indicating a lack of corporate oversight on VAT coding accuracy.

Oversight and checking

VAT coding checks are undertaken by IBC on all output VAT over £20k and on a further risk-based sample (as this is an IBC process, this was outside the scope of this audit). Internal audit did note errors that had previously been identified by the IBC checks, indicating that these are taking place in some areas. However, whilst the sample checking resulted in correction of specific transactions and journals, it did not address the root cause of the errors, which is a lack of understanding and training on correct VAT coding amongst cost centre managers and operational staff responsible for VAT coding. There is currently no assurance provided to OCC on the sample checks undertaken and issues arising, for example specific service areas who are continuously making errors.

As already identified within OCC, there is currently an absence of VAT strategic oversight and a nominated VAT lead Officer in the Council to identify and take forward VAT issues, however this audit was requested as a first step towards putting this in place.

Troubled Families – January 2018 Claim (Claim 2)

Opinion: n/a	29 January 2018	
Total: 1	Priority 1 = 0	Priority 2 = 1
Current Status:		
Implemented	1	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

OCC have submitted between two and three Troubled Families claims per year since September 2014, under Phase 2 of the Troubled Families programme. The current claim is due to be submitted by the 31st January, and consists of 67 families for Significant & Sustained Progress (SSP) and 6 families for Continuous Employment. This claim covers the period from April to September 2017.

All management actions from the audit of the previous claim (September 2017) have been reported as implemented by the responsible officer.

The audit checked a sample of at least 10% for both claims (7 families from the SSP claim, and 2 from the Continuous Employment claim) to ensure that they met the relevant criteria for payment and had not been duplicated in the current or previous claims. Their initial eligibility criteria for inclusion in the Programme were also checked.

Conclusion

3 families were removed from the SSP claim following Internal Audit testing. These families had been identified by the Troubled Families team as being ineligible for the claim, but had not been fully deleted from the claim list due to a spreadsheet filter error. This issue had not been identified prior to submission of the claim to Internal Audit. The claim has since been checked again by the Troubled Families team, and no further issues were found, so Internal Audit are satisfied that the current claim can therefore be signed off.

Insurance Audit 2017/18

Opinion Green	13 February 2018	
Total: 2	Priority 1 = 0	Priority 2 = 2
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	2	

Overall Conclusion is Green

The sample of 20 Insurance claims reviewed had a 100% pass rate, as they had all followed the correct process detailed in the Insurance Claims Manual. They had all been thoroughly investigated, fraud red flags highlighted and examined where necessary, correctly signed-off and accurate payments made.

The Insurance Claims Manual is comprehensive and details the different processes and controls for each type of claim. The Manual does not, however include detail on the correct Sign-off for claims closure. The Insurance team are currently upgrading their claims handling system to a new software. The Manual will be updated and improved following the embedding of the new system.

A very comprehensive Anti-Fraud Policy is used by the team to screen for fraud risks and this was evidenced in the sample with the use of fraud 'Red Flags'. The new system will also have an automated fraud RAG rating screening function.

Management information is currently produced for Children's and Communities (Highways), as these are the areas of highest numbers and values of claims. However, there are plans to develop further areas of management information, especially as a new performance dashboard will be integrated in the new system.

From review of the Zurich 'Imprest' account, it was noted that the account balance was higher than necessary, and the Insurance Manager was due to undertake a review of this.

Safer Recruitment 2017/18

Opinion Amber	20 February 2018	
Total: 8	Priority 1 = 3	Priority 2 = 5
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	8	

Overall Conclusion is Amber

Policies and Procedures

Comprehensive, up-to-date and accessible Safer Recruitment policies and procedures are available at the Council. These set the strategic objectives and control requirements for all aspects of safer recruitment, including recruiting manager training, interview requirements and DBS checks.

Recruitment

A review of recruitment practices for 15 new starters in 'sensitive' posts across the Council found the majority of processes had been followed correctly; references had been obtained as appropriate, DBS checks completed at the correct level, and risk assessments completed where necessary (where an employee starts in post before the DBS has been completed or where a positive disclosure is made).

However, issues were identified around retention of interview notes on employees' HR files, with only half being saved to 'Hantsfile'. The audit also found that of the 15 recruitments reviewed, the mandatory Recruitment and Selection training had been completed by at least one panel member in only 4 cases and the mandatory (for sensitive posts) Safer Recruitment training in only one case.

Management Information and Data

There are significant inaccuracies in the SAP DBS data, as SAP is not always updated when DBS checks are completed. This is a known IT issue and IBC has reportedly been trying to fix it over the past year. As a result, OCC have been unable to effectively monitor whether staff have up to date DBS checks or not since the responsibility for managing the DBS process transferred to IBC in 2015. From our audit testing, there was a 67% error rate with the DBS data on SAP in our sample of 45.

There is a further issue where the 3-yearly DBS checks are not being routinely undertaken by all managers. In just over half our sample of 15 where the DBS was recorded as expired on SAP, the DBS had indeed expired and the Manager had not requested a Renewal. The Renewal Reminder is not consistently used by Managers to ensure they are reminded when the 3-yearly Renewal is due (two thirds of the New Starters checked did not flag this Reminder). However, in almost half the cases checked, the Reminder had been used but not acted upon.

Due to the inaccurate data, management information on DBS checks is therefore not currently being produced nor used. Furthermore, there is a known issue that posts are not always flagged as 'sensitive' when they are created. This is now a manager responsibility, under the IBC HR Recruitment work flow system. Without flagging a post as 'sensitive' it is difficult to data match against DBS records in order to identify gaps. The inaccuracy of SAP DBS data against both posts and personnel records on SAP is a known issue within Corporate HR, and work has been underway to identify and resolve inaccuracies.

Management response provided since report finalisation:

The system fault that was preventing DBS checks from being uploaded on to the SAP workforce database was fixed on 6 March and backdated records have now been uploaded. The council's HR team is reviewing records held on SAP to ensure all employee records are up to date with the right level of check and contacting managers where any rechecks have not been carried out in line with the council's policy. This work will be finished by 30 April 2018 and will continue to be monitored. All managers who have not done the safe recruitment e-learning in the last three years are being asked to complete this training by the end of June 2018. Classroom training on all aspects of recruitment vetting and checking is also being delivered by HR from May. All processes and systems in relation to DBS checking are being reviewed by Hampshire Shared Service and OCC HR including looking at better ICT solutions and a cost/benefit analysis of paying for relevant employees to register with the DBS update service to make the rechecking of criminal records easier, quicker and more cost effective.

Innovation & Research Audit 2017/18

Opinion Amber	20 February 2018	
Total: 5	Priority 1 = 0	Priority 2 = 5
Current Status:		
Implemented	0	
Due not yet actioned	1	
Partially complete	0	
Not yet Due	4	

Although initially a small team, it has been reported that due to the success of the team over the last 4 years in generating funding, projects and collaborations, the Innovation & Research Team have grown rapidly. New staff are being recruited to complete projects underway as a result of successful bids for funding.

Whilst it was found that there were processes in place for the production of bids, sign off of funding agreements, management of projects etc, a number of inconsistencies in approach were noted. As the team grows, it will be increasingly important to ensure that there are clearly documented processes in place with well-defined and appropriate governance arrangements.

Policies & Procedures: There is currently a lack of clearly documented procedures for I&R staff covering key processes including the production, review and sign off of bids, the agreement and sign off of legal agreements, project management including the maintenance of appropriate financial records and production of grant claims and the monthly project reporting process. There is therefore a risk of inconsistent or inappropriate practices in these areas.

Sample testing identified examples where there were inconsistencies in approach (for example obtaining and documenting of appropriate sign off prior to a bid submission and the location and structure of project folders).

Governance: Current governance arrangements for the review and sign off of bids prior to submission were not found to be operating consistently. From testing undertaken, it was only possible to evidence review and sign off of bid submissions in 1/5 instances tested. It was also noted that reported sign off arrangements are not in accordance with the Council's Scheme of Delegated Powers.

The current process for the sign off of funding agreements is not currently documented and the process in place, as reported during the audit, is not in accordance with the working version of the Scheme of Delegated Powers.

ICT Backup and Recovery Review 2017/18

Opinion Amber	13 March 2018	
Total: 3	Priority 1 = 1	Priority 2 = 2
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	3	

Overall Conclusion is Amber

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

A daily backup of IT systems and data is undertaken using the Tivoli Storage Manager (TSM) solution. Backups are taken to local disk and tape and are also copied to an off-site location. This happens automatically and does not require any manual intervention. ICT receive a daily report showing any backup jobs that have failed or been missed and it is reviewed and all reported items investigated.

The TSM solution has been out of support for a number of years and is causing operational issues, including the inability to take full system backups of Windows 2012/2016 servers. ICT are looking to replace TSM with a Backup as a Service (BaaS) solution, which will involve buying backup and recovery services from a third-party. As BaaS entails a copy of all corporate data being held by the third-party on their infrastructure, its critical that a security risk assessment is undertaken as any data breach could lead to financial penalties under the Data Protection Act 1998 and GDPR from May 2018.

We found there is no documented corporate policy on ICT backup and recovery and the document detailing how TSM backups are undertaken is also out of date. Recovery testing is also not performed to validate backups and ensure they can be used to fully recover ICT systems in agreed timescales

Children's Social Care IT System Replacement Review 2017/18

Opinion Amber	13 March 2018	
Total: 3	Priority 1 = 1	Priority 2 = 2
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	3	

Overall Conclusion is Amber

The implementation of the new Liquidlogic Children's System (LCS) and ContrOCC is being managed by an LCS Implementation Board, which is chaired by the Deputy Director Safeguarding. A review of the project governance arrangements identified the following issues:

• The terms of reference for the LCS Implementation Board are in draft and do not include all relevant details on how it should operate e.g. frequency of meetings, name of chair, numbers for quorate, reporting requirements;

• A Project Initiation Document (PID) has been documented but there is no evidence of it being approved. The roles and responsibilities within the PID are also incomplete or inadequately defined;

• The LCS Board receive a monthly Highlight Report of key activity. Whilst the report includes risks from the RAID log, we found that some of the highest scoring risks had not been reported in the last monthly report (Jan 18). Issues are not recorded on the RAID log or reported to the board.

- A 'Project Approach' document is used to define the purpose of each workstream, its scope and deliverables. However, not all workstreams have a Project Approach document and the ones that exist have not been approved.

System security is in the process of being set-up and configured. On LCS, all primary accounts will authenticate using single sign-on based on network authentication and secondary accounts will require a separate login to the system. LCS can enforce a minimum password length but it is not clear if passwords can be expired; this should be confirmed with the supplier. An account lockout policy is available and should be configured prior to go-live. Access rights are currently being worked through to ensure all users have the right level of access to the system and will be signed off by a Principal Social Worker. This sign-off is a key control and should be formally documented and evidence retained. LCS has an audit trail facility which is enabled by default. However, it was noted that the audit trail does not report updates on certain system screens and this should be raised with the supplier. System security on ContrOCC is at an early stage of development but is likely to be similar to what was set-up for adult social care, given that the users are the same and processes will be similar.

A Data Migration Strategy has been documented but not yet approved, despite the first data migration cycle having already been completed and the second about to start. Data migration is being undertaken by external consultants who have expertise in this area and four data migration cycles are planned. Source data from frameworki has been identified and mapped to LCS and data quality checks and cleansing are being undertaken. Data errors are logged on a defect tracking tool and reconciliation reports are used to confirm the completeness of data migration. However, the procedures and processes for dealing with data quality defects are not documented as per the Data Migration Strategy. The LCS Implementation Board are being kept abreast of progress and issues.

Testing of the system will start in March and further cycles are planned for later in the year. However, we have found that a Testing Strategy has not been developed to outline the approach and standards to be used. Test scripts are in the process of being developed and will go through a validation process which includes a review by operational leads to confirm that they include all key business processes. A review of a test script found that the details recorded are adequate and clearly show what is being tested and if it was successful or not. Testing will be performed by a range of different users from each business area, including administrators and social workers. There is no specific test script for user access levels as it is envisaged that this will be included as part of the general testing of the system. However, given the nature of the system and sensitivity of data, we are recommending that specific testing is performed to confirm that user access levels are configured correctly.

Whilst the project has attempted to engage users, for example by asking them to volunteer as 'champions' whose responsibilities will include promoting engagement with LCS, the level of user engagement can be further improved through formalising some of the existing relationships between the LCS Implementation Board and Childrens Services. A one-month change freeze is planned, ahead of the 1st October go-live and we believe this should be extended to ensure there is an adequate period of system stability.

End user training will be commissioned from Liquidlogic. They have delivered a proposal which is based on a training needs analysis undertaken by the project

team. Training will include half-day online courses and full day classroom sessions which will be service specific. There will be a facility for users to complete evaluation records for each course they attend and the project team should ensure they have access to the results so that they can assess the quality of the training being delivered.

Troubled Families Claim March 2018

Opinion n/a	23 March 2018	
Total: 2	Priority 1 = 0	Priority 2 = 2
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	2	

Overall Conclusion

One issue was identified during the audit in relation to inaccurate Excel formulas being used to track School Attendance, although this did not result in any families being removed from the claim. This had not been identified prior to the audit, however the claim has since been re-checked by the Troubled Families team and no further issues were found. Internal Audit was therefore able to sign off the claim.

Direct Payment Follow Up 2017/18

Opinion Amber	29 March 2018	
Total: 5	Priority 1 = 0	Priority 2 = 5
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	5	

Overall Conclusion is Amber

Follow up

The 2016/17 Personal Budget and Direct Payments audit contained 13 management actions, of which 4 have been closed. 9 are still open and overdue against their original target date (however only 2 are overdue against their updated target date). Further to the current audit check of these actions, it can be confirmed that 7 have

been fully implemented (although 3 of these have not been closed down); 2 partially and 4 not yet implemented, as follows:

- The RAS review has commenced but is not yet complete, so this is partially implemented.

- Assessment to Review Guidance update is not yet completed but is being incorporated in to the FFF work – not implemented.

- Support Plan and budget authorisation accuracy in LAS – audits have started in order to check compliance and will be continued until a more systematic control is in place – partially implemented

- The ASC Scheme of Delegation has been updated and uploaded to the Intranet – implemented.

- Purple DP Escalation process – this is implemented as the Transaction Protocol was updated and no further issues were identified during this audit.

- Response to DP Finance Queries – this is implemented as a new process for escalating self-managed accounts' unresolved finance queries via the ASC Performance Board has been embedded. The action to RAG rate these DP queries has not yet been implemented however it was agreed this is no longer required so can be closed. The action for the ASC FBP to participate in this escalation has also been implemented.

- Annual Review and DP Usage - a checklist has been developed for Social Care staff to use when reviewing Direct Payments, although Social Workers are yet to start using and uploading it to LAS/SharePoint, so this is implemented but will take some time to embed.

- Direct Payments checks – A new form is also being used by the DP Team to check whether PAs are listed on the DP return form, so this has been implemented, as the Manager has also been checking correct usage.

- The two high value DP Cases with actions were re-reviewed. The first case has completed the Review and new Support Plan and is awaiting the Agreement to be signed, so this is partially implemented. The second case where the business start-up costs were queried has been implemented as the Service Manager agreed to the costs. However, a policy on setting up DP-funded care companies has not yet been agreed so this is not implemented.

- These actions will be continued to be monitoring on the action implementation system.

High Value DPs

The audit reviewed 10 high value DPs ranging from £1k to £8.3k per week (excluding those reviewed in previous years).   The audit identified in half of these cases, the annual Reviews were overdue (3 were last reviewed in 2016 and 2 in 2014). In those where a Review had taken place, it was still not possible to evidence that the DP expenditure and arrangements had specifically been reviewed by the SW (as reported under Follow Up).

From the sample of 10, the audit also found that only 3 have signed DP Agreements for the current DP; 5 had signed Agreements for previous DP amounts and 2 had no Agreement at all. Following a previous DP audit, it was agreed that at annual Reviews, the SW would check a signed DP Agreement for the current DP was in place. However, in 3 of the cases where there was no current DP Agreement, these had had a review within the last year, so it seems this control is not taking place consistently.

In one case, the audit highlighted concerns where the DP was increased six-fold last year, however a new Agreement was not signed with the account manager. The case also raises issues once again with regards conflict of interest in managing the DP Account and paying family members as carers who reside in the same household without prior authorisation.

Direct Payments Processes – Surpluses and Management Information

The audit reviewed the process for monitoring and managing DP account surpluses, to ensure that surpluses are recovered and social workers are made aware. It found that whilst there is a process for alerting the Social Care Service Manager of surplus recoveries for managed accounts, this is not happening for self-managed accounts, relying instead on the DP Team to inform Social Workers on a case by case basis. However, from a review of a sample of 5 surplus recoveries, in 4 cases there was no evidence that social care had been informed of the surplus recovered.

From audit analysis of DP surpluses, a total of £1.7m was recovered in the last 12 months from open DPs, for 419 (29%) of DP accounts (this equates to 5.6% of DP expenditure). Of these, one third had in fact had two surplus recoveries within the year reviewed. The current volume of recoveries indicates that DP reviews are not systematically taking place when carrying out service user's annual Reviews, or Reviews are not taking place following a surplus recovery.

Pension Fund 2017/18

Opinion Green	04 April 2018	
Total: 1	Priority 1 = 0	Priority 2 = 1
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	1	

Overall Conclusion is Amber

Governance over the Pension Fund continues to remain strong, throughout the course of the audit it was observed that controls were generally well designed and that procedures and controls for general management of the fund were robust.

Risk management and control activities were well-established and have not changed significantly since the previous audit. There is one management action arising from this audit where it was identified that the Internal Control Reports from the Pension Fund Managers have not yet been reviewed for 2017/18.

The Brunel Partnership, a new investment pooling arrangement affecting Oxfordshire Pension Fund along with 9 other local authority pension funds will take effect from 1 April 2018. As the Brunel Partnership pooling does not begin until the next audit year, audit testing was not required relating to the effects on asset allocation and financial position of the fund. Instead the audit reviewed the Pension Fund Governance and Strategy, and particularly risk management in relation to the preparation for this new partnership. The risk management arrangements in place were deemed to be appropriate

Pensions Administration 2017/18

Opinion Amber	10 April 2018	
Total: 14	Priority 1 = 6	Priority 2 = 8
Current Status:		
Implemented	1	
Due not yet actioned	1	
Partially complete	0	
Not yet Due	12	

Overall Conclusion is Amber

Whilst the overall opinion for this audit is Amber, there are two significant issues arising.

Firstly, the segregation of duties issues identified in previous audits undertaken in 2015/16 and 2016/17 have not been resolved with the management action agreed not yet implemented. The same individual still runs the payroll, corrects administrative errors before it is released for payment, undertakes the reconciliation and uploads the payment files via the Business Data Upload (BDU) facility into SAP. A process introduced to improve controls in this area whereby a report is downloaded from the Altair system showing functions performed by those with Administrator rights is ineffective as it is run by the same individual who completes the previously described payroll tasks. The information is also downloaded into a spreadsheet which could easily be manipulated. As such, this remains a significant control weakness in the system. It has been reported that the delay in resolving these segregation of duties issues has been partly due to resourcing issues within the team. Management have reported that these issues are now resolved and that the required changes will be introduced imminently.

Performance in relation to the processing of deferred benefits and in the issuing of Annual Benefits Statements has not been at the required level, resulting in breaches in pensions regulations which have been reported, by the Pensions Service, to the Pensions Regulator. The Pensions Service is in the process of responding to

requests for further information from the Pensions Regulator which includes detailed plans for the resolution of the breaches reported and associated timescales. This information will be used by the Pensions Regulator to determine what penalties will be enforced.

In relation to the processing of deferred benefits, 13 of 20 deferred benefits cases sampled as part of audit testing had been processed outside of the regulatory limit of 3 months (65%), and in the majority of these cases the delays were within the Pensions Admin Team, rather than at the employer end.

Whilst improvements in the quality of the Monthly Admin Return Spreadsheet (MARS) data received for OCC employees were noted in comparison with the previous audit, issues remain with the data received from other scheme employers (including end of year data) which has led to delays in issuing Annual Benefits Statements to scheme members (77% were issued by the end of August 2017, and 91% by Christmas), in breach of pensions regulations. The Employer team has now been created to work with employers to obtain the required data and revisions being made to the Administration Strategy will clarify expectations of the employers which should further improve performance.

Furthermore, performance reporting has shown a decrease in the timeliness of processing other scheme member lifecycle tasks, including deaths, member estimates, refund of pension contributions, issuing of Previous Pensions Forms (PPF's). No issues with the accuracy of processing of these tasks was noted from the limited testing undertaken as part of this audit.

To resolve the performance issues identified, increased resources have been brought in (including an external company to clear the backlog of deferred benefits to be processed), a restructure of the Pensions Administration Service has been partially implemented, which has included the creation of a new Employer team who will work with the scheme employers to address the issues with accuracy and timeliness of data. The Administration Strategy has also been reviewed and updated to make responsibilities of employers in relation to the accuracy of data they supply clearer, to bring forward the deadline for monthly data submissions and simplify the process of issuing fines for non-compliance. It is planned that the revised strategy will be implemented in early March following approval by the Pension Fund Committee.

Delays were also noted in relation to processing new scheme employers, due to both resourcing issues and difficulties in receiving the required information from the employers. Guidance is currently being updated in this respect with the aim of improving the efficiency of this process.

The Pensions Service is currently preparing for the implementation of the new General Data Protection Regulations (GDPR) in May 2018. A project plan is being developed, and a consultant is due to start work with the Team in February in order to ensure readiness and compliance of the Service in time for the implementation date.

Accounts Receivable 2017/18

Opinion Green	10 April 2018	
Total: 4	Priority 1 = 0	Priority 2 = 4
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	4	

Overall Conclusion is Green

OCC have yet to define a debt management strategy. It is planned that the strategy will be produced following the development of the new Operating Model, work which has been supported by PwC, and the completion of the Financial Management Review being undertaken by the Director of Finance and Assistant Chief Finance Officer.

Operating procedures have been developed and agreed with Hampshire, clarifying roles and responsibilities of HCC and OCC and what is expected under each area of the debtor process. The document has been adopted by both councils and is being worked to. It is planned that a reference guide will be produced from this, for both OCC and school staff to refer to, however this has yet to be produced and published. On a wider financial governance level, the project set up to undertake a fundamental refresh of the finance guidance on the intranet has yet to be completed.

Delegated approval for the write off of debts has been confirmed by the Director of Finance and the approved process is in operation, however it is not accurately reflected in the published version of the Scheme of Financial Delegation.

The responsibility for customer creation now falls within Hampshire's remit, as such assurance is taken from the work undertaken by their Audit Team. However, guidance was reviewed and found to be comprehensive to support OCC staff in creating customers and ensuring a check is undertaken for duplicates.

The level of debt, including aged debts, are now monitored via a dashboard, which is shared with senior management in Finance at OCC. Legacy debts are also being worked through and managed down, within 2017/18 the legacy debt level reduced by around £1.3m, and currently sits at around £2m. Write offs were also found to be managed well, with approvals in all cases tested being appropriate, and the level of write offs are reported through to Cabinet.

This audit also followed up on management actions agreed following the 2016/17 Accounts Receivable audit.

11 management actions were agreed. 5 actions have been confirmed as fully implemented, 2 have been superseded and 4 have been partially implemented. Those actions which are not fully implemented are detailed within the audit report

with updates on progress made and estimated completion dates. Internal Audit will continue to monitor and report on the implementation of these actions through the audit follow up process.

The Hampshire County Council Audit Team have completed their Order to Cash audit, which has covered the processes HCC perform on behalf of OCC, we place reliance upon the work they undertake. Adequate assurance was provided overall, which they define as; Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. The audit highlighted no OCC specific issues.

Client Charging 2017/18

Opinion Amber	10 April 2018	
Total: 19	Priority 1 = 1	Priority 2 = 18
Current Status:		
Implemented	1	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	18	

Overall Conclusion is Amber

Subsequent to the implementation of LAS and ContrOCC in 2015, a number of system and process improvements required were identified by the Service. These were to be resolved as part of the LAS Phase 2 project, managed and monitored by the Business Efficiencies & System Improvement (BESI) group. BESI no longer exists and LAS Phase 2 has made limited progress. The limited progress in resolving known issues has been reflected in the findings of this audit. Similar issues to those raised in the previous two client charging audits undertaken in 2015/16 and 2016/17 have been identified again this year.

However, as part of the Council's transformation programme the ASC Pathways & Process Group has been formed. This group is sponsored by the Service Manager for SI Reviews and ILS, has PMO input and is tasked with picking up on the required service improvements which include those identified as required as part of LAS Phase 2. FOB (Finance Overview Board) and OMM (Operational Managers Meeting) have now reviewed and signed off a simplified pathway for the sourcing and arrangements of care along with proposals for service improvements in a number of key areas. This should lead to improved processes in relation to client charging.

There are areas where it appears that the ASC Contributions Policy needs to be updated, for example contingency care is not specifically covered nor are changes to the way in which contributions for day centre attendance is charged for.

Although some delays were noted in the process for referring service users for financial assessments, reporting processes being carried out by the Financial

Assessments Team are enabling prompt identification and follow up of missing referrals.

In terms of the financial assessment process, some issues were identified in relation to the evidencing of decisions and the saving of evidence on various different parts of the financial assessment process. Sample checking on new residential financial assessments was not found to be happening. It was reported that this was due to a change in staffing during the year, a new Team Leader is now in post so this should not be an issue going forward.

Accuracy issues were noted in relation to the processing of some of the manual adjustments and assessment reductions sampled, resulting in one refund within the sample being lower than it should have been and in two assessment reductions not being processed. In one case the calculation itself was inaccurate. Despite having been signed off as checked by the Team Leader, this inaccuracy had not been identified (ineffective checking and sign off of assessment reductions was also identified during the Client Charging audit in 2015/16).

Further inconsistencies in the charging of arrangement fees were noted during the audit, this was also noted during the 2016/17 Client Charging audit and a management action was agreed to implement a reporting process that would identify instances where these fees had not been charged. Testing identified that this management action had not been implemented effectively as the report being run only identified instances where an arrangement fee *had* been charged.

LD respite care is not yet being charged for in accordance with the ASC Contributions Policy. Work is ongoing to ensure that the correct information is recorded on ContrOCC to enable charging to commence.

Debt Recovery processes are generally being carried out promptly and effectively, however it was noted that safeguarding training and guidance for the team is in the process of being reviewed. From review of instalment plans, it was noted that there are a number of instalment plans in place for more than £1000 or which will take longer than 12 months to repay. In these circumstances, the decision to agree the instalment plan should be made by the Team Leader. This approval / agreement is not currently being evidenced. The testing undertaken on instalments plans did confirm that plans are under regular review.

Limited testing was undertaken on deferred payments as part of this audit. It was noted that a number of significant weaknesses in relation to UDPA's (Universal Deferred Payment Agreements) were identified by the Service last summer and were documented in a Client Charging PID The weaknesses identified included a lack of clarity over roles and responsibilities, not meeting of statutory requirements (for example in terms of statements being offered, capture of statutory data for returns), lack of robust data over secured debts, process for completion of UDPA was not lean as well as issues with appropriate charging and availability of online information and applications. Whilst it has been reported that improvements have been made in some areas, for example statutory reporting, there are still areas that require action. It has been reported that the issues identified within the Client Charging PID have been incorporate into the work being undertaken by the ASC Pathways & Process Group referred to above. This group will also be reviewing the third party top up process with a view to making this simpler and more efficient.

During the 2017/18 audit of Mental Health, issues were identified in relation to the charging of Mental Health service users receiving care from providers who use paper invoices. Cases were identified where service users had not been referred for financial assessments, and for service users where financial assessments had been carried out in the past there was no process within OCC to add these charges manually to client accounts. This issue was raised during the 2016/17 Mental Health audit, however no action has been taken, which raises risks regarding both lost income for OCC and inequitable treatment of service users in relation to Client Charging. This issue will be reported on in further detail as part of the Mental Health audit report for 2017/18.

Follow Up

13 actions were agreed as a result of the 2016/17 Client Charging audit, 3 of these have been confirmed as fully and effectively implemented from testing undertaken during the current audit. 3 were reported as fully implemented, but were found not to have been fully and effectively implemented. 3 actions were reported as fully implemented, but implementation has not been tested as part of this audit. 2 actions have been superseded. 2 actions are still outstanding. The management actions outstanding relate to the completion of the review of historic charges for personal budget clients who may have been overcharged and the processing of any refunds due and the review of adaptation loans.

3 actions outstanding from the 2015/16 audit were also followed up during this audit. All are still outstanding, however work is being undertaken to resolve the issues involved. Outstanding issues relate to the updating of the spot contract template to remove reference to third party top ups, lack of consistency with the contributions policy in the invoicing of service users who user providers who do not use ETMS and the review of the process for the completion of Annex 2's.

Outstanding management actions will continue to be monitored and reported on through the standard audit follow up process. Where the implementation of management actions has been tested as part of this audit and found not to have been implemented effectively, revised management actions have been agreed to address the remaining control weaknesses identified.

Mental Health Follow Up 2017/18

Opinion Red	10 April 2018	
Total: 10	Priority 1 = 6	Priority 2 = 4
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	10	

Overall Conclusion is Red

This follow up audit has taken place approximately a year and a half since the completion of the previous audit. Overall, there has been insufficient progress in addressing the weaknesses previously identified. Whilst the implementation of many of the agreed actions has commenced, very few of these have been fully and satisfactorily completed. Out of the 24 agreed actions, only 9 can be confirmed as fully implemented.

Governance

One of the key actions from the last audit was to complete an **options and risks appraisal** for the future delivery model for Mental Health social care. At the time of the current audit, no changes to governance had been made, although the options discussions were underway, with a decision pending. Whilst some improvements have been made, such as the resumption of the monthly **Provider JMG meetings**, progress at these meetings in agreeing and delivering outcomes has been slow resulting in many **actions not being fully implemented**, although progress has improved in recent months. Senior leadership have been keen to address the issues and in the past 3 months have had monthly Director-level meetings to provide steer and focus through a S75 Action Plan.

A new interim Social Care Leadership **structure** has been agreed and implemented, along with a review and change process to make the MH Social Worker job descriptions social work-specific. The S75 Action Plan captures actions underway to ensure SW good practice is embedded, with a new Draft Supervision policy and staff training plan in place.

There is no 'contract' between both sides; relying instead on the '**partnership model**', which is currently not working effectively and is based on the outdated 2012 Provider Pool S75 Agreement. OCC have not clarified and documented enhanced **assurance and performance** requirements so MH have in turn not been providing the necessary assurance over operational effectiveness and quality. The current Performance dashboard agreed between the partnership is limited to data on assessment timescales, 12-month Reviews and Caseloads and doesn't include wider quality assurance indicators, such as staff supervision, case audits, SW training, Placement quality monitoring, Care package costs, Care Act compliance, Complaints, S117 accuracy, etc.

Much of the difficulty within the partnership is due to the **dual recording** requirements. The Provider JMG agreed that LAS must be used as the primary recording system for social care cases covered under the S75 Agreement, training has been provided and licences purchased. However, LAS usage continues to be insufficient, resulting in inadequate oversight and visibility within OCC of case notes, Support Plans, Reviews, etc. From the sample testing of 30 care packages, the audit found over half had inadequate LAS records.

On a positive note, the audit reviewed the **Support Plans and Reviews** for 30 MH care packages in Care Notes (across Adults, Abated and Older Adults). All 30 had recent Support Plans which looked detailed, and all but one had Reviews completed within the last year - the issue is they are not always captured on LAS and therefore not visible within OCC.

<u>Funding Approval and Financial Assessments</u>

The audit found **funding approval** for all the 30 care packages reviewed. All the Older Adults MH care packages must be approved within OCC by the Service Manager, South, irrespective of package value. This includes a large volume of care packages sent for approval, including packages which would normally be below their authorisation level to ensure consistency of practice across the localities.

Overall, the audit found that service users were referred for **Financial Assessments** where necessary. However, there are 56 MH care packages paid by **paper invoice** and not via ContrOCC. The last audit raised the issue of paper invoices not being sent for financial assessments and the current audit has found the same issue again. From the sample of paper invoices tested, where a Financial Assessment was required they were either not referred for one and had no record on ContrOCC, or where a Financial Assessment had been completed in the past, the client charge was then not applied, resulting in missed income.

<u>Placements Quality Monitoring</u>

A new process for **quality monitoring** Adult MH residential placements has recently been agreed and implemented between Oxford Health and OCC, which is progress. It is too early to check whether the process is working effectively, as quality monitoring visits have only just begun.

For Older Adults MH care packages, these are supposed to be **sourced** by OCC's CSPO's and subject to OCC quality monitoring, however the audit found multiple cases where this had not happened. There is therefore still a gap in sourcing and quality monitoring the Older Adults MH placements (some are done by OCC if an OCC OP service user has been placed there).

There is also a gap in quality monitoring of the 26 'Abated' service user placements, as well as the 5 OBC partners, as neither of these categories are covered by the new process (however the numbers here are not as high).

<u>S117</u>

There continue to be significant issues with the **inaccuracy of S117 recording** despite a reconciliation having been completed in 2016/17 in order to identify potential errors.

The new **S117 policy** has not yet been agreed between OCC and OCCG (the Local Joint Agreement), despite work being underway on this throughout 2017. Until this is complete, the Oxford Health S117 policy cannot be updated. There is no reference to S117 in the S75 Agreement.

The audit identified potential queries of the central S117 records maintained by the Mental Health Act Office of all service users detained within Oxford Health. In 1 case of the sample of 30, the Office did not have records of a service users' S3 detention and did not have them marked as eligible, despite being marked as S117 eligible in Care Notes and ContrOCC. In 3 further cases, LAS records indicate S3 detentions for the service users from dates several years earlier than the dates recorded by the MHA Office. The dates provided to audit as the 'S117 eligible from' dates were from

the most recent detention in cases of multiple detentions, and not their first detention dates in a further 3 cases, indicating a practice of over-writing earlier dates.

There is significant discrepancy in the S117 eligibility records in LAS, ContrOCC, SharePoint documents and Care Notes. Out of the audit sample of 30 reviewed, 10 had inconsistent S117 records between the different systems.

The audit identified 1 case in the sample where their S117 **status was incorrect**. The service user was marked as S117 in ContrOCC by the Financial Assessment team, upon incorrect advice from an OT in the OAMHT back in 2014. They are in fact not eligible, so they should have had a financial assessment, resulting in potentially missed client charging income.

The audit re-checked the two cases identified in the previous audit where the S117 status was incorrect. Both cases had been followed up and corrected after the audit, however different treatment in terms of repayment was applied.

Data Recording

Data recording in LAS remains inadequate. From the audit sample of 30 care packages, there were issues with the completion of Support Plans on LAS in 19 cases (mostly Adults) – either they did not exist or were minimal in content (they were in existence on Care Notes however). The latest Reviews were not recorded in LAS in 20 of 30 cases (8 Adults, 4 Abated service users and 8 Older Adults) - in Care Notes all but one had Reviews recorded. Gaps also existed in basic personal data and addresses were incorrect or out of date in 6 cases. Safeguarding cases are now being recorded in LAS, and although there had been some issues with delays in completing and closing these down correctly on LAS, although this is being actively monitored by OCC via the daily monitoring report and performance has improved.

Staff reported a continued struggle with dual recording in LAS and Care Notes and a lack of business process mapping to explain how this needs to work in practice.

The audit again found that OCC MH staff seconded to MH were still not recording some HR data such as annual leave on the OCC systems.

Follow Up

The 2016 audit contained 24 management actions; of these 8 have been closed by management. All actions were checked during the current follow up audit. Work has commenced on all actions, with some progress having been made during 2017 but only 9 have been fully implemented, with 7 partially implemented and 8 not yet implemented.

Security Bonds 2017/18

Opinion: Red	10 April 2018	
Total:	Priority 1 = 3	Priority 2 = 14
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	17	

Overall Conclusion is Red

This audit has identified overall a lack of management information and reporting and documented procedures in relation to the security bond process, this includes S106 bond agreements and S38/S278 bond agreements. Security bonds are sought by the Council, within a S106 agreement, as a means of ensuring that deferred contributions are received from developers. S106 bonds are currently only sought where a specific piece of infrastructure is to be provided on the development site, this policy was approved by the Capital Asset and Programme Board (CAPB) in 2016. There are also, within the majority of S106 agreements, standard, alternative means of encouraging prompt payment of deferred contributions, for example a 4% interest is charged on contributions if the developer fails to inform the Infrastructure Funding Team that a trigger point has been reached and has not paid the contributions on time. S278 and S38 security bonds are sought for all schemes. Cash bonds are sometimes provided for these agreements (S278 / S38), in this case the developer transfers an agreed amount of cash to the Council until such time as the works are completed when the cash is returned to the developer.

Management Information & Accounting Treatment
There is currently no management information or management reporting on security bonds either for those secured for S106 agreements or S278 / S38 agreements at any level, either within the Infrastructure Funding Team, Road Agreements Team or to Service Manager or Director level. Management currently have no information which provides them with assurance that security bonds are being arranged as they should be or at an appropriate level. There is also currently no reporting to Corporate Finance on S106 bonds, S278/S38 bonds, including cash bonds. There also does not appear to be a clear understanding within the teams responsible for the arrangement of security bonds of the related Corporate Finance processes and the significance of these.
Although there are records of security bonds in place at individual development level, there is no list, schedule or report available which sets out for S106 security bonds, information such as which S106 agreements have security bonds in place, the amount of the bond and who the bond has been arranged with. For S278 and S38 agreements, there is no detailed listing showing the security bonds in place (including cash bonds). Whilst the situation in relation to these types of agreements is different to S106 in that all S278 and S38 agreements will have security bonds arranged, there is a lack easily accessible source data covering for example, the total value of bonds in place at any one time, information on who bonds are arranged with (to enable an effective and accurate risk assessment during vetting). Whilst Corporate Finance have reported that they have asked for register of bonds in place from both areas in the past, no information has been provided to them.

The lack of detailed information on security bonds in place makes it impossible to produce any meaningful management information.

Policies & Procedures

There is a lack of clarity over roles and responsibilities within Communities for some parts of the security bond process, for example it is not clear who is responsible for the monitoring of S38 and S278 bonds once in place or for taking the decision to call the bond in. There is also a lack of clarity over roles and responsibilities in relation to cash bonds. Although these are secured instead of security bonds for some S278 or S38 agreements, the Planning Obligations team process money coming in from and back out to the developer. Corporate Finance are not involved in this process (this is significant in terms of the investment decisions made within Corporate Finance as well as the way in which these bonds should be accounted for).

Whilst the completion of vetting checks on financial institutions who developers put forward to provide security bonds is the responsibility of Corporate Finance, the role which currently has responsibility for completion of vetting checks requires review. These checks are currently undertaken by the Financial Manager for the Pension Fund as he was responsible for this as part of a previous role.

Policy in relation to the seeking of security bonds for S106 agreements requires review and clarification. Whilst arrangements were approved by the Capital & Asset Programme Board in January 2016 with circumstances where developers refuse to provide a bond referred to the Deputy Director for Planning & Infrastructure, different escalation arrangements were reported during the audit.

There is a lack of clear and up to date process guidance for staff in relation to the S106 security bonds. There is no documented / shared guidance for planning negotiators in key areas such as identifying the need for a bond or for completing the bond calculation. There is also a lack of up to date guidance for Planning Obligations staff in relation to monitoring and management of the bond. Guidance is also incomplete in relation to the bond calling in or release process and no guidance on the tasks performed by Planning Obligations for S278 and S38 cash bonds.

For S38 and S278 security bonds, it was found that there are some draft process maps covering the call-in process, adoption and sign off processes. There is no process guidance on the process for arranging the bond (includes the use of the bond calculator and the need for a vetting check by Corporate Finance) and nothing specific on the use of cash bonds.

Formal approval arrangements for calling in a bond were unclear in both areas.

Vetting

Corporate Finance's current role in the vetting process is limited to the completion of vetting checks and communication of the outcome of these checks to the Service. They do not receive any further information in terms of bonds that actually go on to be put in place following the vetting check, the information provided to Corporate Finance in relation to the vetting check was also noted as being limited. For example, there is no information on which scheme the bond is being sought for. Due to the limited information provided to Corporate Finance and the lack of any form of register of bonds in either area, they also have no way of being able to provide any assurance that vetting checks have been completed where required. This limits the effectiveness of the vetting process

as Corporate Finance are unable to see the total value of bonds in place, in relation to Council schemes, with individual institutions and so cannot accurately assess the Council's risk exposure.

From sample checking undertaken on S278 and S38 schemes, it was only possible to confirm vetting checks had been completed by Corporate Finance in 1/5 cases reviewed. It was reported that bonds arranged with one specific institution are not vetted as they provide so many bonds. This exception has not been formally agreed.

Security Bonds for S106 Agreements
Sample testing identified 2 instances where, from the S106 agreement, it appears that a security bond should be in place but was not. For one agreement the last communication with the developer in relation to the security bond was in February 2017 (bond required for £3.5M), for the other the last communication with the developer in relation to the security bond was in May 2017 (bond required for £1.44M). There does not appear to be any clear escalation or follow up process to ensure that the bond is arranged as agreed. From review of the calculation of the bond amount, there is a lack of formally documented sign off.

Security Bonds for S278 and S38 Agreements
From sample testing undertaken, it was difficult to confirm that the bond value was appropriate or that the correct process had been followed in agreeing the bond amount. For 3/6 schemes reviewed, it was not possible to confirm that the developers estimate had been obtained and compared with the bond value calculated as required from the team's bond calculator. There were also inconsistent versions of the bond calculators noted, along with examples where it was not clear who had completed the calculation or when and in one case, it was not clear which scheme the calculation related to. There is no documented process for the review or sign off of the bond calculation.

Payroll 2017/18

Opinion: Amber	10 April 2018	
Total:	Priority 1 =	Priority 2 = 2
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	2	

Overall Conclusion is Amber

The payroll control environment and compliance has improved since the 2016/17 audit. HR policies and procedures are up to date and accessible; detailed management information on HR processes is provided to DLTs; and processes have been reviewed and simplified. However, some issues remain regarding certain payroll processes, particularly around the promptness of submitting HR forms.

Policies and Procedures

Guidance relating to payroll related processes is appropriate, up to date and accessible, for both OCC policy and IBC processes. The issues identified in the 16/17 audit have been corrected.

Starters and Leavers

Timeliness of processing HR forms for starters and leavers continues to be an issue. From the audit sample of 10 starters, 2 were processed late, resulting in delays of one and two months of salary payments. For the sample of 10 leavers, 2 were processed late, resulting in one overpayment, which was recovered. This is reflected in the audit analysis of all leavers, where it was identified that 25% of leavers in the past 12 months (including schools) were processed after the employee had left the Council. The overpayments report from IBC shows that in this timeframe, 103 out of 149 overpayments were due to late notification of changes.

However, further to action being completed following the 16/17 audit to remind and train managers in these processes, as well as process simplification; timeliness has improved. For Q1 and Q2 approximately 35% of leavers were processed after the employee's leaving date; this decreased to 15% for Q3 and Q4 (as at 13th March).

Variations, Overtime and Overpayments

As identified in the 2015/16 and 2016/17 audits, Regular Hours and Triple Time attendance codes continue to be used for overtime claims, however these now require authorisation by a line manager prior to payment and overtime claims are being monitored by HR. The triple time identified were low in value but were in the same team as last year, where some very high levels of overtime were also paid and where an audit action from last year is outstanding to review their Overtime Policy (see Follow Up).

Management Information

HR Payroll Control reports on additional pay are shared at DLTs on a quarterly basis. An overpayments report provided by IBC is now being routinely reviewed by OCC HR to identity the root causes of overpayments and address underlying issues.

In order to simplify recruitment, use of the HR approval form is changing from April 2018. Decisions involving recruitment will be devolved to managers, and new forms for honorariums and merit increments will replace the current HR Approval form. Other processes currently requiring the form will be submitted through the portal.

Follow Up

Out of 11 actions agreed at the 16/17 Payroll audit, 9 have been reported as implemented, with 2 partially implemented (relating to HR Approval Forms, and the Overtime Policy for Edge of Care and Residential Services). Following audit testing, 7 can be evidenced as being fully implemented. The remaining two actions (removal of two time codes on My Time) could not be implemented as IBC were unable to remove the codes. A work around has therefore been implemented, monitoring the use of specific time codes.

Purchasing 2017/18

Opinion: Amber	12 April 2018	
Total:	Priority 1 = 1	Priority 2 = 9
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	10	

Overall Conclusion is Amber

As part of the Fit for the Future Programme a number of initiatives are being considered which are fundamental to driving better performance from the Council's Procurement, Contract Management and Commercial Activities. The governance structure, including roles and responsibilities are being reviewed and were therefore not included within the scope of the audit. Work is planned to review and develop the OCC Procurement Strategy and OCC Procurement Policy, there is a review of the Council's Contract Management Framework and further development and modification of the newly implemented eCMS (Electronic Contract Management System). Improvement actions have been noted within the Corporate Lead Statement for Purchasing, which forms part of the Annual Governance Statement Process.

General issues were noted with guidance needing to be updated and hyperlinks to information were broken. A review of all finance intranet guidance was taking place over a year ago, however it is not clear how far through that project is, or whether it was fully completed. However, the Fit for the Future Programme will provide the opportunity to update the Procurement Strategy and associated guidance. Hampshire also provide guidance pages, which help guide staff through how to carry out various transactions. These were not reviewed as part of the audit.

Management information has not been reviewed in any detail as part of this audit. A new suite of information has been introduced for a number of areas across the council's performance, including accounts payable processes. The first joint working group meeting met in October 2017, with the intention to meet on a quarterly basis. An overview of the information has highlighted that there is substantial information being produced for accounts payable processes which should help target areas of poor performance including the raising of retrospective purchase orders, delays in goods receipting and late invoice payments.

There are currently two embedded cards used within the Council. They bring advantages of bypassing overly bureaucratic processes for simple/urgent purchases. This saves both time and administrative costs. There is oversight of the transactions, and limits in place on the cards to avoid any excessive expenditure. However, there is currently no plan to formally review opportunities for more cards and roll these out more widely across the Council.

A list of new suppliers set up this financial year was obtained and checked against the contract management system. Less than 1% of the suppliers had been set up on contract on the eCMS system. It is acknowledged that a contract would not be

expected for all of these, however there were instances identified during the audit where a contract would have been expected. Further detailed work is now being undertaken by OCC following the recent PwC third party spend analysis. This had highlighted that there is scope for the Council to review the number of suppliers it is setting up and where there is spend without contracts in place.

An interface has been developed which has enabled Adult Social Care payments to automatically upload via the BDU system. This is a positive improvement in the control environment since the previous audit. However, there is still work to be done to rationalise the number of manual uploads. It is recognised that the BDU process lacks system enforced controls / segregation of duties, is inefficient, time consuming and prone to errors. This was highlighted during testing undertaken on the 2017/18 Supported Transport Audit where a high level of errors were noted, this included errors identified and corrected prior to the upload taking place as well as errors that had not been picked up and were identified by Audit testing.

OCC do not retain an up to date list of Data Stewards and Business Owners and therefore responsibility for preparation and processing of these uploads is not clearly documented. It was identified during the 2017/18 Pensions Administration audit that Pensions are not following the corporate process for submitting BDU uploads. Testing on this audit identified a lack of segregation of duties in the process with the same officer acting as Data Steward and Business Owner.

The role of the Finance Assistant in the BDU process was considered. It was noted that there is currently no management oversight of the role performed and that checks undertaken are currently limited to reviewing for duplicate payments and confirming that the upload as sent by the Data Steward is what is uploaded via the BDU by the Business Owner.

There is currently no guidance for how to use BDU accessible on the intranet.

Follow Up

The audit followed up on the actions raised as part of the 2016/17 Accounts Payable Audit, the 2016/17 BDU Compliance Review, and one BDU related action from the 2015/16 Design of Controls work

Of the 3 actions agreed as part of the 2016/17 Accounts Payable Audit, 1 action has not yet been fully implemented, this action is referred to within the findings below and implementation will continue to be monitored and reported on through the normal audit follow up process. The other 2 actions have been reported as implemented, but have not been tested as part of this audit. both actions relate to recently introduced management information reporting arrangements. It is planned that effectiveness of implementation will be tested as part of the 2018/19.

Of the 7 actions agreed as part of the 2016/17 BDU Compliance Review, 1 was confirmed as fully and effectively implemented. The other 6 could not be confirmed as effectively implemented and so have been combined and re-worded into a new management action agreed as part of this audit.

The remaining outstanding management action from the 2015/16 Design of Controls audit in relation to the review and rationalisation of the use of BDU for payment uploads was found to have been partially implemented. A re-worded action has been agreed as part of this audit.

The Hampshire County Council Audit Team have completed their Purchase to Pay audit, which has covered the processes HCC perform on behalf of OCC, we place reliance upon the work they undertake. Adequate assurance was provided overall, which they define as; Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. They noted a small issue specifically relating to OCC, around the promptness of goods receipting, prior to invoices being able to be processed.

Supported Transport 2017/18

Opinion: Amber	12 April 2018	
Total:	Priority 1 = 2	Priority 2 = 29
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	31	

Overall Conclusion is Amber

The audit of Children's Safeguarding – Transport 2014/15, report finalised in April 2015 had an overall grading of Red. Significant weaknesses were identified and assurance could not be provided that there were adequate controls in place to manage external transport arrangements. The action plan within the Internal Audit report contained 42 agreed management actions. The Supported Transport Governance group was formed which was responsible for overseeing the implementation of the agreed actions and other associated improvements.

This audit (2017/18) has a wider scope than the original safeguarding review, however has followed up on the original action plan to ensure that all actions have been implemented and are working effectively. This audit acknowledges the significant improvements made since 2015 which include the implementation of Risk Assessments and Child Passports, the development and implementation of the Transport Safeguarding Standards, Driver training and DBS and vetting processes, closer working with the City & District Councils responsible for licencing, Policies and Procedures, Provider Quality Management, Complaints Management and Management Oversight.

It is positive to note that of the 42 actions agreed within the 2015 report, the audit has tested that 33 actions reported as implemented are working effectively, 7 actions are reported as implemented but have not been tested as part of this audit and 2 actions reported as implemented were found to be partly effective and new management actions have been agreed within this report. These were in relation to the use of taxi's by Children's homes and also reporting of information from the provider quality monitoring visits to the Quarterly Transport Complaints & Allegations meetings.

Referrals:

Issues were noted with the process used to determine the charge for concessionary travel (spare seats). The charge is determined by the students address on the EMS system and on whether this is more or less than a set distance from the school, however testing has identified a number of instances where this address is incorrect. Address data on EMS is also owned by the school not the transport hub so in order for permanent changes to address details on EMS to be retained, the school record must be updated. This is not under the control of the transport hub. Incorrect address data could impact on the accuracy of charging as well as on assessment of eligibility.

Testing has identified that, although bus passes should not be issued prior to full payment being made, there are no system controls in place to enforce this and no management reporting on cancelled invoices. An example was identified during testing where a pass was issued when full payment had not been received and other examples where invoices had been cancelled and bus passes issued without sufficient evidence being retained to document why. There is therefore an increased risk that badges could be issued fraudulently or in error and that income due will not be recovered.

Commissioning & Allocations:

Limited progress has been made with recording supported transport contracts to the corporate ECMS system. It has been reported that this has been due to unexpected staff sickness and the need to prioritise other tasks.

Although historically, there has been no process in place to review or re-assess SEN transport provision once it has been agreed, as part of the work undertaken on the SEN Transport Project, existing cases are being reviewed in relation to the suitability of the mode of transport. Going forward, it is planned that regular reassessments of the suitability of transport provision will be part of the business as usual process. It is noted that parents are given the opportunity to review and update information in their child's passport on an annual basis

Some updates are noted as being required to website information, including review of the Safeguarding Manual which should be reviewed annually. The current version is dated May 2016.

Payments & Income:

From review of the provider payment process, it was noted that there is currently no management information being produced or reviewed in relation to manual adjustments made to payment values on EMS. Whilst the risk of fraud as a result of collusion between Council staff and transport operators is reduced due to the number of officers processing invoices and the way in which invoices are allocated to individual officers for processing, there is still a risk that EMS records could be amended to increase operator payments without any independent oversight or challenge, there is also the risk of error. Some delays were noted in relation to updating of EMS records by the Contracts team, therefore necessitating manual adjustments by the team processing payments.

Payments are made to supported transport operators / providers via BDU upload. The BDU process lacks system enforced controls / segregation of duties, is inefficient, time consuming, and as demonstrated by the testing undertaken as part of this audit, prone to input error. From the sample of 10 uploads reviewed by Internal Audit during testing, errors were picked up by the Business Owner for 50% of cases. There were also errors picked up by Internal Audit which had not been identified by the Business Owner prior to the upload being processed. This included 2 examples where the wrong vendor had been paid. It has been reported that alternative payment processes to BDU upload have been considered, but as yet, no suitable alternative has been identified.

Contract Monitoring:

Although, when testing was initially undertaken, it appeared that provider visits and establishment checks were not on track to have completed the required number of visits by the end of the year, it appears that performance has recently improved. Issues were noted with the coverage of provider visits in that they were not covering DBS and badging checks, despite establishment check records indicating that there were problems found in this area in 1 in 3 visits (this includes less significant issues such as a driver having forgotten their badge as well as cases where a driver didn't have a badge or hadn't been DBS checked). Since audit testing was completed, the team have begun to complete DBS and badging checks as part of provider visits.

From review of safeguarding complaints about supported transport provision, dealt with by the CEF safeguarding team, some inconsistencies were noted in the process followed and documentation maintained. Both the transport hub and the CEF safeguarding team report that information is shared well between the teams. Management oversight of the decision-making process, once a complaint has been investigated has been limited, however a new form has been introduced since the completion of audit testing which includes line manager sign off of the outcome of the complaint / investigation.

Communication in relation to supported transport concerns, complaints etc between Children's and the Transport Hub at management level was noted as having moved from monthly to quarterly meetings. The last confirmed meeting took place in September 2017, so the next meeting is now overdue. It was also noted that although there was evidence that these meetings included review and discussion in relation to themes of complaints, it was not possible to see that themes coming out of provider visits were being discussed.

Management Information:

There are various different systems and spreadsheets in use for different processes in relation to the arrangement of transport and routes, payments made to transport operators, driver vetting checks and complaints. The use of different systems and spreadsheets, whilst unavoidable in some areas at present, means that there are areas where the same data has to be input more than once, taking up staff time and increasing the risk of input errors and inconsistencies. This has been observed in a number of areas during this audit for example in relation to the data recording for both mainstream and SEN referrals and allocations, as well as the BDU process as detailed in the payments and income section of this executive summary.

Additionally, limitations have been reported in relation to the EMS ONE system in being able to use the data recorded on it to obtain reliable information on the reasons for increases or decreases in spend in a particular area. Although data can be obtained from the EMS system, it has to be manually manipulated and then it is often difficult to reconcile.

It is understood that development of an integrated IT solution for the supported transport service is to be considered as part of phase 2 of the implementation of the new Children's IT system. Whilst a new IT solution for supported transport has yet to be formally agreed or scoped, the new IT Children's system provides an opportunity to make improvements and efficiencies in a number of areas where there are currently issues.

Children's Contract Management 2017/18

Opinion: Amber	12 April 2018	
Total:	Priority 1 = 2	Priority 2 = 5
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	7	

Overall Conclusion is Amber

Introduction

There have been significant governance changes to Children's Contract Management in the People Directorate since the previous audit in 2014/15. The management of the larger Children's contracts (including blocks and Framework/Regional Agreements) now comes under the remit of the Joint Commissioning team, with support from the operational teams. This has seen positive results in terms of the consistency and quality of contract monitoring and management. Additionally, from March this year, the Placements teams for both adults and children's have merged and brought together under Joint Commissioning.

It is recognised that the placements budget is considerably overspent. Projects have been commissioned as part of the Fit for the Future Programme to review a number of the high cost placements, to ascertain whether there are any opportunities to improve contract management and achieve better value for money.

Contract Management and Monitoring

Block and larger Contracts

The audit found adequate oversight of the children's contract monitoring carried out by the Joint Commissioning team. Evidence was in place to support the reviews of the contract outcomes and performance of the providers. Additionally, the payments to each provider had been set up correctly, in line with the contractual agreements. Quality Monitoring is undertaken on an agreed risk based approach.

The audit identified issues with payment information within ECMS (Electronic Contract Management System) not matching SAP – this is thought to be due to a delay in payment information passing from SAP to ECMS and does not affect payment accuracy. As part of the Fit for the Future Programme a number of initiatives are being considered, including a review of the Council's Contract Management Framework and further development of ECMS. Improvements to ECMS are required to ensure improved business intelligence, visibility of contract and supplier performance and better management reporting.

<u>Spot Placements</u>

Individual Placement Agreements (IPAs) should be in place for every children's placement, as they form the contract between OCC and the spot provider and they document the placement outcomes for the child. There were finalised IPAs in place for only 30% of the placements sampled (the issue with missing IPAs was also noted as part of the Fostering Audit carried out earlier this financial year). However, the audit noted that every placement sampled had a care plan in place and LAC reviews had been completed, to ensure the child was being supported.

The Placements Team should be undertaking pre-placement vetting checks and regular monitoring checks on providers, however evidence was not always available to show that these were taking place fully. This is something that the new Placement Team arrangements will reportedly address.

Management Information

Strategic information is presented and considered by the Placement Review Programme Board, which includes the review of high cost placements, the work on demand management and review of SEND placement spend. However, there is a lack of strategic management information considered by DLT which provides commercial information across Children's Contracts, including supplier spend analysis (including spend not subject to contract or framework agreement and also spend against forecast/contract value), contract risk, performance and quality monitoring assurance and overall contract key issues / themes.

This issue was previously highlighted in the 2014/15 audit and whilst some management information has been developed this has not yet been considered by DLT. It is also acknowledged that improvements corporately to the ECMS system are required to enable better management reporting around supplier spend and performance. Examples were provided to audit to confirm that significant issues are being communicated upwards where necessary, on individual contract issues. However, there is insufficient strategic information to enable adequate oversight by senior management on the overall performance, including the financial position, of Children's contracts.

Follow Up

There were 12 actions agreed as part of the 2014/15 CEF Contract Management audit. 10 of these have either been implemented or superseded with changes to processes. The two that have not been fully implemented relate to management information being presented to DLT, as reported above and will be superseded by a new action.

Statement of Assurance
Integrated Business Centre

2017-18

Southern Internal
Audit Partnership

Assurance through excellence
and innovation

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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   ROLE OF INTERNAL AUDIT

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'**UNDERTAKE AN EFFECTIVE INTERNAL AUDIT TO EVALUATE THE EFFECTIVENESS OF ITS RISK MANAGEMENT, CONTROL AND GOVERNANCE PROCESSES, TAKING INTO ACCOUNT PUBLIC SECTOR INTERNAL AUDITING STANDARDS OR GUIDANCE.'**

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 (updated April 2017) [the Standards].

The role of internal audit is best summarised through its definition within the Standards, as an:

> *'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*

Hampshire County Council (IBC) is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising Hampshire County Council (IBC) that these arrangements are in place and operating effectively.

Hampshire County Council's (IBC) response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

4 INTERNAL AUDIT APPROACH

To enable effective outcomes, internal audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Head of the Southern Internal Audit Partnership and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisations success;
- risks inherent in the achievement of objectives;
- level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective

opinion on the framework of internal control, risk   management and governance in operation and to stimulate improvement.

5 INTERNAL AUDIT OPINION

Oxfordshire County Council joined the Shared Services Partnership in July 2015, meaning that Oxfordshire's transactional HR and Finance functions would be delivered through the IBC, supported by the online self service system. As part of governance arrangements it was agreed that the Southern Internal Audit Partnership would provide annual assurance to Oxfordshire County Council on the adequacy and effectiveness of the framework of governance, risk management and control from the work carried out on the IBC.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work; the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of audit need that has been covered within the period.

Audit Opinion
 I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment within the Integrated Business Centre.

6 INTERNAL AUDIT COVERAGE AND OUTPUT

The 2017-18 Shared Services internal audit plan, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.   The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion the Southern Internal Audit Partnership have undertaken 8 reviews contributing to my audit opinion:

Review	Status	Assurance Opinion
Payroll	Final	Substantial
Payroll Support	Final	Substantial
Purchase to Pay (P2P)	Final	Adequate
Order to Cash (OTC)	Final	Adequate
BACS	Final	Adequate
Governance Arrangements	Final	Substantial
Debt Collection	Draft	*Adequate*
Recruitment – Pre employment checks	Draft	*Limited*

Substantial - A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified;

Adequate - Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified;

Limited - Significant weakness (es) identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk; or

No - Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

IT assurance – Assurances with regard the IT environment are not incorporated as part of the Shared Services plan. The HCC internal audit plan provides a comprehensive portfolio of IT coverage affording assurance across the breath of the Council's IT operations, for 2017/18 this included: IT Change Management; Network Management & Monitoring; SAP (Operational Basis Support); Platform Monitoring (Windows & Linux); Database Management & Security; Identity Management; PCI Compliance; Business Applications; and ISO 27001. Our assurance opinion (incorporating these reviews) will be reported to HCC Audit Committee in June 2018 a copy of which will be provided to OCC audit colleagues.

In addition an assurance mapping exercise was undertaken to establish other sources of assurance that could be relied upon to contribute in forming our assurance opinion over the IT control and governance environment. Such assurances included accreditations held in respect of: ISO27001; ISO20000; PSN; PCI; and SAP Customer Centre of Excellence. Each accreditation is subject to ongoing assessment and independent review from its own regularity body.

7 MAIN ISSUES

RECRUITMENT – PRE EMPLOYMENT CHECKS

Our review of pre-employment checks resulted in a limited assurance opinion. Whilst testing confirmed that the pre-employment checks requested by recruiting managers (in conjunction with HR advice) are being undertaken on prospective employees, a number of weaknesses were identified in the identification of the pre-employment checks to be undertaken, recording of DBS details and the setting-up of tasks for DBS re-checks in SAP. Linked SAP records for employees with multiple employments were not always updated with DBS check details. There are

also opportunities to improve and expand documented guidance to ensure consistency of advice and that expectations for all preemployment checks are clear.

8 DISCLOSURE OF NON-CONFORMANCE

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] requiring 'an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation' I can confirm endorsement from the Institute of Internal Auditors (November 2015) that:

'the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards'

There are no disclosures of Non-Conformance to report.

9 QUALITY CONTROL

Our aim is to provide a service that remains responsive and maintains consistently high standards. This was achieved in 2017-18 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Registration under British Standard BS EN ISO 9001:2008, the international quality management standard complemented by a comprehensive set of audit and management procedures;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- Independent External Quality Assessment undertaken by the Institute of Internal Auditors (IIA) concluding 'the Southern Internal Audit Partnership conforms to all Standards within the IPPF, PSIAS and LGAN. This is supported by ongoing annual self–assessment.

10 ACKNOWLEDGEMENT

 I would like to take this opportunity to thank all those staff throughout Hampshire County Council (IBC) with whom we have made contact in the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman

Head of Southern Internal Audit Partnership April 2018

AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT 2017/18

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As the Chairman of the Audit and Governance Committee I am very pleased to present this annual report which sets out the role of the Audit & Governance Committee, and summarises the work we have undertaken both as a Committee, and through the support of the Audit Working Group during the financial year 2017/18.

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

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

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

COUNCILLOR NICK CARTER
Chairman, Audit & Governance Committee

Role of the Audit and Governance Committee

The Audit and Governance Committee operates in accordance with the "Audit Committees, Practical Guidance for Local Authorities" produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2013. The Guidance defines the purpose of an Audit Committee as follows:

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

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

In this section the activities of the Committee during 2017/18, including the Audit Working Group, are summarised under the headings of the key functions.

Internal Control

The Audit & Governance Committee approved the Annual Governance Statement (AGS) for 2016/17 in April 2017. This included actions for 2017/18, within the following areas, to improve existing governance arrangements. The Committee actively monitors progress with the implementation of the actions.

- Business Continuity
- Corporate Security
- Finance (Debt Management Strategy)
- Mental Health (in response to Internal Audit Report)
- Capital Programme (in response to Internal Audit Report)
- Target Operating Model

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

- Mental Health
- Capital Programme, Governance & Delivery
- S106
- VAT
- SEND inspection

The Committee receives and has considered updates in the following areas:

- Highways Partnership Contract
- Hampshire Partnership - Finance and HR updates
- Fit for the Future (transformation)
- Customer Services Improvement Programme
- GDPR (General Data Protection Regulations)
- Cyber Security

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

Risk Management

The Committee, through the Audit Working Group, has continued to receive regular updates from the Assistant Chief Finance Officer (Assurance) on risk management, which includes the information included within the Business Management Report which is presented to the Council's Leadership Team.

The reports reviewed have demonstrated good progress in the alignment between risk and performance reporting and the link to strategic objectives. The Strategic risk has been subject to regular ongoing review by the Audit Working Group during 2017/18. The Audit Working Group is satisfied from their review that the process for reporting, escalating and manging risks is being maintained.

The Committee attended a training session on Risk Management during March 2018.

Internal Audit

The Committee in April 2017 approved the Internal Audit Strategy for 2017/18, including the annual audit plan and counter fraud plan, which provides members the opportunity to challenge and influence the plan where the Committee has identified areas of concern.

The regular update reports of the Chief Internal Auditor to both the Audit and Governance Committee and also the Audit Working Group has enabled emerging issues arising from Internal Audit activity to be considered on a timely basis, including where appropriate working with the Senior Officers to seek assurance that matters are being dealt with promptly and effectively.

The annual review of the effectiveness of the system of Internal Audit, commissioned annually by the Committee was reported and considered in July 2017. Overall the results are very favourable and demonstrated a strong level of satisfaction about the nature and effectiveness of the service. There were no issues as regards the integrity, or capability, of any of the officers of Internal Audit; the comments continue to reflect that the service is well-regarded. The next annual review is due to report again in July 2018.

Internal Audit were also externally assessed during 2017/18 by Cipfa for compliance with the Public Sector Internal Audit Standards. The assessment outcome was very positive with only a small number of minor improvements to documentation required. The review concluded that "The service is highly regarded within the Council and provides useful assurance on its underlying systems and processes". The action plan to address the minor issues identified was considered by the Committee in January 2018 and completion of the actions points will be reviewed at the July 2018 meeting.

The Committee has continued to monitor the resourcing of Internal Audit, and was pleased to note that the team throughout 2017/18 was fully resourced, including covering the maternity leave of the Principal Auditor

The Internal Audit Plan was completed by April 2018 Committee and the annual statement of the Chief Internal Auditor produced for the April 2018 Committee. Based on the evidence of the reports presented to the Audit Working Group and the Committee, the team continues to provide an effective challenge and therefore assurance on the key risk activities.

The Committee also met with the Chief Internal Auditor in a private session during September 2017, and are satisfied Internal Audit are free to carry out their duties without restrictions.

External Audit

The Council's external auditors, Ernst and Young, attended all the committee meetings during 2017/18, providing regular updates on their work plan and any matters arising. In addition they have provided the Committee with sector updates for consideration that highlight key themes, issues and priorities for local government. These have been well received and are very helpful to the Committee. The Committee received and reviewed the External Audit Annual Letter.

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

The Committee also met with the external auditors in a private session in September 2017 and are satisfied they are free to carry out their duties without restrictions. We are also assured that if identified they would bring any material issues to the attention of the Committee.

Anti-Fraud and Corruption

The Audit & Governance Committee and Audit Working Group receive regular updates from the Chief Internal Auditor on any reported matters of suspected fraud, including investigations. Outcomes of investigations are reported to and monitored by the Audit & Governance Committee.

The Council is continuing to work in collaboration with the Investigations Team in Oxford City Council who provides our counter-fraud service.

We received a report on Whistleblowing from the Monitoring Officer, that highlighted there have been very few cases.

Overall the Council has a strong system of internal control so it is not unexpected there is very little fraud identified; however nationally statistics show that fraud is on the increase, so it is important that we all remain vigilant.

Annual Accounts Process

The 2016/17 Accounts were prepared on time and presented to the Committee for comment. We received the External Auditors report in September 2017 when it was very pleased to note that high standards had been maintained with no material issues reported.

Treasury Management

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

- The Treasury Management Outturn Report (July 2017)
- The Treasury Management Mid-term Performance Report (Nov 2017)

- The Treasury Management Strategy Statement and Annual Investment Strategy 2018/19 (January 2018)

There were no material issues to note.

The committee members attended an industry update briefing presented by Arlingclose covering new legislation and potential risks; to help inform the review of the 2018/19 Treasury Management Strategy.

Governance

The committee agreed the Annual Governance Statement 2016/17 that explained how the County Council had complied with the code of corporate governance. The Committee reviewed the Code of Corporate Governance (March 2018) and also the Constitution Review (January 2018).

The Committee and Audit Working Group also received the following reports, the annual report of the Monitoring Officer; the annual report of the Local Government Ombudsman; the use of the Regulation of Investigatory Powers Act 2000 (RIPA); review of scale of election fees 17/18 and, the Fire and Rescue Service Annual Statement of Assurance. There were no material issues or concerns arising.

The Committee received regular updates on the Fit for the Future Transformation programme.

The Committee has not received any reports in respect of investigations into allegations of misconduct under members' code of conduct. The Committee has not granted any dispensations from requirements relating to interests as set out in the code of conduct for members.

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

Type of appeal	Number in Calendar Year 2017
Member Appeals:	
Appeal against dismissal	0
Appeal against redundancy selection	1
Raising concerns at work appeals	0
Disciplinary and Capability appeals	0
Job Evaluation formal appeals	1

Home to School Transport Appeals	56 requested. (13 of which were heard as a group appeal relating to the safety of one particular walking route to school) 24 Upheld (wholly or in part) (13 of which were in the successful group appeal) 24 Refused 8 Withdrawn

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

Audit and Governance Committee

The Audit and Governance Committee comprises of nine elected members representing the three main political parties and a Co-opted Member, Dr Geoff Jones.

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

Officers

The Audit and Governance Committee continues to be well supported by Officers, providing reports either in accordance with the Committee's work programme, or at the request of the Committee. In 2017/18 the Director of Finance, the Assistant Chief Finance Officer (Assurance), the Director of Law and Governance (& Monitoring Officer), and the Chief Internal Auditor routinely attended the meetings. These same officers also attended the Audit Working Group meeting.

External Audit

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

Meetings

The Audit and Governance Committee met seven times in 2017/18 and the Audit Working Group met five times. Work programmes are used by both the Audit & Governance Committeeand the Audit Working Group to ensure requirements of the Committee are fulfilled. The programmes are reviewed with officers at each meeting and added to when appropriate to ensure ad-hoc investigations instigated by the Committee are reported.

The following are the functions of the Audit & Governance Committee extracted from the Constitution – Article 8

(1) The functions relating to elections specified in Section D of Schedule 1 to the Functions Regulations.

(2) The functions in relation to the designation of particular officers for certain purposes specified in Paragraphs 39, 40, 43 and 44 in Section I of Schedule 1 to the Functions Regulations.

(3) The functions in relation to the approval of the statement of accounts etc. specified in Paragraph 45 in Section I of Schedule 1 to the Functions Regulations including the Annual Governance Statement (including Statement on Internal Control).

(4) To monitor the risk, control and governance arrangements within the Council, together with the adequacy of those arrangements and those of others managing Council resources:

 - to ensure compliance with relevant legislation, guidance, standards, codes and best practice, whether external or internal;

 - to provide assurance on the effectiveness of those arrangements both generally and for the purposes of the Annual Governance Statement, including arrangements for reporting significant risks; and

 - to ensure coordination between internal and external audit plans to maximise the use of resources available as part of a total controls assurance framework;

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

(5) To consider and comment on the Council"s External Auditor"s annual work plan, the annual audit letter and any reports issued by the Council"s External Auditor. Where issues affect the discharge of executive functions, to make recommendations as appropriate to the Cabinet, and where any issues affect the discharge of non-executive functions, to make recommendations to the appropriate Council Committee.

(6) To systematically monitor:

 - the performance and effectiveness of Internal Audit Services processes within the Council, including undertaking an annual review using key performance indicators e.g. client satisfaction, percentage of plan completed, percentage of non-chargeable time;

 - the strategic Internal Audit Services Plan and annual work plan, advising on any changes required to ensure that statutory duties are fulfilled;

 - resourcing for the service, making recommendations to the Cabinet and Council on the budget for the service;

- arrangements for the prevention and detection of fraud and corruption; and

- the system for Treasury Management

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

(7)   To promote high standards of conduct by councillors and co-opted members.

(8)   To grant dispensations to councillors and co-opted members from requirements relating to interests set out in the code of conduct for members.

(9)   To receive report from member-officer standards panels appointed to investigate allegations of misconduct under the members" code of conduct.

(10)   To advise the Council as to the adoption or revision of the members" code of conduct.

(11)   To implement the foregoing in accordance with a programme of work agreed by the Committee annually in advance, and to report to the Council on the Committee"s performance in respect of that programme.

(12)   The Committee will appoint an Appeals & Tribunals Sub-Committee which will have the following responsibilities and membership:

Responsibilities:

(i)   The determination of appeals against decisions made by or on behalf of the authority as specified in Paragraph 2 of Schedule 2 to the Functions Regulations.

(ii)   To hear and determine appeals in cases where the relevant procedure rules require this function to be performed by a formally constituted committee or sub-committee.

(iii)   To hear and determine appeals in other cases under the relevant procedure rules.

Membership:

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

(i)   A member of the Audit & Governance Committee (or substitute)

(ii)   Two other members of the Council (one being a Cabinet member in the case of Fire Discipline issues)

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 four members of the Audit and Governance Committee, one of whom shall be the Chairman of the Committee. There will also be up to four 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 ………..April 2018

Review Date……April 2019

Officer Responsible:
Sarah Cox, Chief Internal Auditor
Telephone 07393 001246
sarah.cox@oxfordshire.gov.uk

Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 25 APRIL 2018

OXFORDSHIRE FIRE AND RESCUE SERVICE
STATEMENT OF ASSURANCE 2017/18

Report by the Chief Fire Officer

Introduction

1. The Fire and Rescue National Framework for England (the Framework) sets out a requirement for fire and rescue authorities to provide an annual statement of assurance on financial, governance and operational matters and to show how they have due regard to the requirements of the Framework and the expectations set out in authorities' own integrated risk management plans.

2. To demonstrate this, the Framework requires that each authority must publish an annual statement of assurance. The Statement of Assurance 2017/18 document is intended to meet the obligation to produce this statement through reference to public webpages, existing reports and documents.

Report format

3. The report was prepared following the Department for Communities and Local Government guidance on statements of assurance for fire and rescue authorities in England. The structure of the report was based on guidance contained in Chief Fire Officers Association (CFOA) Circular 2013-10 appendix - draft table of contents statement of assurance.

Publication

4. The statement of assurance is intended to be published on the public website only, it is not intended to produce hard copy versions. The OCC Annual Governance Statement 2017/18 makes reference to the statement of assurance and provides a link to the web address.

5. The statement of assurance should be signed on behalf of Oxfordshire County Council by Councillor Judy Heathcoat, Cabinet Member with responsibility for the fire and rescue service.

RECOMMENDATION

6. **The Committee is RECOMMENDED to approve the report.**

SIMON FURLONG
Chief Fire Officer

Background papers:none

Contact Officer: Paul Bremble, Strategic Risk & Assurance Manager, Fire and Rescue Service paul.bremble@oxfordshire.gov.uk

Oxfordshire County Council Fire & Rescue Service

STATEMENT OF ASSURANCE

2017-2018

365alive
Think Safety
365alive.co.uk

OXFORDSHIRE
FIRE & RESCUE SERVICE

OXFORDSHIRE
COUNTY COUNCIL

Welcome and foreword

Councillor
Judith Heathcoat

Cabinet Member
for Community
Safety Services

Chief Fire Officer
Simon Furlong

Director of
Community Safety
Services

Welcome to Oxfordshire Fire and Rescue Service's Statement of Assurance. As the Cabinet Member and Director of Community Safety Services for Oxfordshire we are pleased to present this statement for our local communities setting out how we meet the requirements of The Fire and Rescue National Framework for England.

The National Framework requires us to provide an annual statement of assurance on financial governance, operational matters, and to show how we have due regard to our Community Risk Management Plan (CRMP). In 2017 we published our new CRMP to meet the challenges of our communities over the next period (2017-22).

We ensure that our proactive approach, focussed on preventative activities, leads to a safer and healthier Oxfordshire. Our programme of collaboration, across the three Thames Valley fire and rescue services enables better integration and response to the public which focuses on delivering a more effective, efficient service that is transparent and accountable to our communities.

Last November, we undertook a peer review of our fire and rescue service, during which we completed a self-assessment, and then invited sector competent peers into our service to undertake a review of our functions. From this review, we created an action plan, which will support improvement in our prevention, protection, preparedness and response services as well as the overall leadership and governance of fire and rescue.

We are extremely proud of what our teams have achieved during 2017-18. Our people are our most important resource and it is through them, with the support of our county councillors and our partner agencies that we will continue to be a cost effective, well governed organisation with transformational leadership.

CUSTOMER SERVICE EXCELLENCE

INVESTOR IN PEOPLE

Local Government
Equality & Diversity

2

The risks we face

The Fire and Rescue National Framework for England (the framework) requires us to produce an Integrated Risk Management Plan (IRMP), known as the CRMP, that identifies, assesses and addresses foreseeable fire and rescue related risk that could affect its community, including those of a cross border, multi authority and / or national nature.

The CRMP is Oxfordshire County Council Fire and Rescue Service's (OFRS) analysis of the county's community risk profile, together with our five-year strategic approach detailing how we intend to effectively manage those risks.

Each year we create an annual action plan to support our CRMP, where we set out the actions to deliver this approach at an operational level.

The action plan sets out several priorities and projects to ensure that residents and businesses are safer, whilst at the same time delivering an efficient and effective emergency response when necessary.

[CRMP Action Plan 2018/19](#)

Social risk

People in Oxfordshire are living longer. The number of people aged 75 and over is projected to grow by 66 per cent between 2011 and 2026. Historical data shows that older people are at a greater risk from suffering serious injuries or death from accidental fires.

Our Home and Community Safety Department, through partnership working, will continue to target the people most at risk through safe and well checks and education. To further develop our intelligence led approach we will use technology to identify both localities and individuals that would benefit from timely prevention activities

Oxfordshire adopted the national Safe and Well programme in 2017 as a key part of its prevention strategy. This approach extends the range of vulnerabilities that are assessed as part of a wider visit supporting residents to live in their homes with confidence independently. These visits go far beyond the previous home fire safety checks and address the wider risk in the home and aim to influence better lifestyle choices amongst recipients for example assessing risk of slips trips and falls, fuel poverty as well as alcohol use and smoking cessation.

3

Economic risk

Unemployment in Oxfordshire remains significantly below the average for England. The county is a global seat of education, learning and research, a centre of engineering and scientific excellence, a world leader in automotive and advanced manufacturing, publishing, health care and life sciences and an iconic tourist destination.

This includes many nationally and internationally recognised businesses such as, BMW Mini, Oxford Instruments, the Williams and Renault Formula One Teams, the city's two universities and many important military establishments. Our operational and fire protection teams work with businesses to plan for emergencies and carry out fire protection enforcement and advice.

Risks beyond our borders

Over the border mutual aid arrangements

Under sections 13 and 16 of the Fire and Rescue Services Act 2004 OFRS has reinforcement schemes in place for securing mutual assistance with Berkshire, Buckinghamshire & Milton Keynes, Gloucestershire, Northamptonshire, Warwickshire and Wiltshire Fire and Rescue Service Authorities for the provision of resources such as fire engines and specialist assets.

Plans are also in place, through the National Resilience Advisory Team (NRAT), to provide specialist appliances and crews for mass decontamination, urban search and rescue, water and high-volume pumping, hazardous chemical analysis and command and control across England and Wales.

Tactical Operational Guidance

OFRS have been engaged in the National Fire and Rescue Service Collaborative Partnership Programme to promote a common approach when working across borders. In 2015 we opened a new joint fire control with two of our neighbouring fire and rescue services, Royal Berkshire and Buckinghamshire & Milton Keynes, known as the Thames Valley Fire Control Service.

We have a joint Thames Valley Fire Service team responsible for developing Tactical Operational Guidance (TOG) documents. This information is carried on fire engines and accessed via on-board computers known as Mobile Data Terminals. It enables all operational staff to access the most up to date guidance and information at the scene of an emergency with neighbouring authorities working to the same procedures.
This team is now undertaking the implementation of the National Operational Guidance to ensure that there is a consistent approach across the three Fire and Rescue Services in the Thames Valley.

4

The National Joint Emergency Services Interoperability Project (JESIP) has been formed to enhance joint working further across blue light services and collaborate where possible. This also captures lessons learnt from significant incidents and shares these with all Fire and Rescue Services an example of this was the lessons learnt from the Didcot Power station collapse which were shared to enable other Services to understand what went well and what we had identified as areas for improvement.

The service has recently undergone further training with all its officers following on from the Manchester and London recent terror attacks, to ensure that we are prepared for these types of incidents. This training was carried out by Oxfordshire Fire and Rescue Service and attended by representatives from the other Thames Valley FRS's, Oxford University security and Counter Terrorism Police.

The "Kerslake report" has recently been released on the Manchester arena terror attack and will give OFRS the opportunity to identify further learning both internally and with the wider Thames Valley Emergency Service's.

Overview of fire and rescue service

Overview of our structure

OFRS is governed by the Strategic Leadership Team (SLT) whose full members are listed below. Full SLT meetings are held monthly with fortnightly meetings to discuss specific issues. SLT reports to County Leadership Team (CLT).

- Chief Fire Officer Simon Furlong (Director for Community Safety)
- Assistant Chief Fire Officer — Grahame Mitchell
- Assistant Chief Fire Officer — Rob MacDougall
- Area Manager Operations and Resilience — Mat Carlile
- Area Manager Strategic Policy – David Heycock
- Head of Community Safety — Richard Webb
- Human Resources Business Partner — Grainne Darnton
- Finance Business Partner — Rob Finlayson

Strategic Leadership Team

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                    │     Director of      │
                    │  Community Safety    │
                    │  Chief Fire Officer  │
                    │    Simon Furlong     │
                    └─────────────────────┘
             ┌────────────────┴────────────────┐
    ┌────────────────┐                ┌────────────────┐
    │ Assistant Chief │                │   Assistant    │
    │  Fire Officer   │                │Chief Fire Officer│
    │ Grahame Mitchell│                │ Rob MacDougall  │
    └────────────────┘                └────────────────┘
           │                      ┌──────────┴──────────┐
    ┌────────────────┐    ┌────────────────┐   ┌────────────────┐
    │  Area Manager  │    │Head of Community│   │  Area Manager  │
    │ Strategic Policy│    │     Safety      │   │ Operations and │
    │  David Heycock  │    │                 │   │   Resilience   │
    │                 │    │  Richard Webb   │   │   Mat Carlile  │
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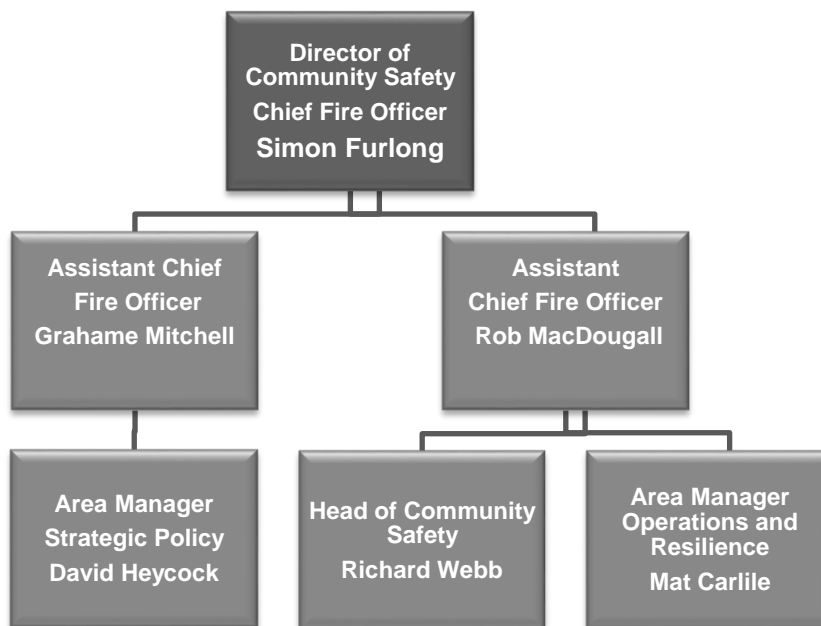
Our people

At the end of February 2018 there were a total of 229 whole-time firefighters, 320 On-Call and 115 support staff working for Oxfordshire County Council Fire and Rescue Service.

Our resources

There are currently 24 fire stations in Oxfordshire, which are staffed by whole-time and on-call firefighters. They offer safety advice, education and respond to emergencies calls. In the last 12 months, we have actively recruited and trained firefighters for our 25th fire station, planned for the expanding, West Oxfordshire town of Carterton. These firefighters will be the integral part of the Carterton Community Safety Centre, as detailed in last year's document.

We have a front-line fleet of 34 fire engines, plus a resilience appliance and several specialist vehicles to support large or complex incidents. These include an aerial ladder platform, and a specialist technical rescue vehicle that attends road traffic collisions and specialist rescues.

Other specialist vehicles are provided for incident support, incident command, bulk water supplies, environmental protection and firefighter decontamination following incidents involving hazardous materials. As part of a national response strategy we also have a specialist vehicle for detecting and identifying hazardous materials and a high-volume pumping unit.

6

Going forward: Our 365alive 2016-22 vision

Our six core strategies are designed to contribute towards our 365alive vision; *'Working together, every day, to save and improve the lives of people across Oxfordshire'*. The fire and rescue vision is supported by the whole of community safety including; Trading Standards, Emergency Planning Unit, Commercial Training Service and Gypsy and Travellers Service.

This 365alive vision has been designed to ensure we are contributing towards the strategic ambition of a *'Thriving Oxfordshire'* as detailed in the Oxfordshire County Council Corporate Plan and we will make sure all our activities align with the strategic priorities of the plan.

7

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                    ┌──────────────────────┐
                    │                      │
                    │     A Thriving       │
                    │     Oxfordshire      │
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A Thriving Oxfordshire

A Thriving Economy

Protection of the Vulnerable

Efficient Public Services
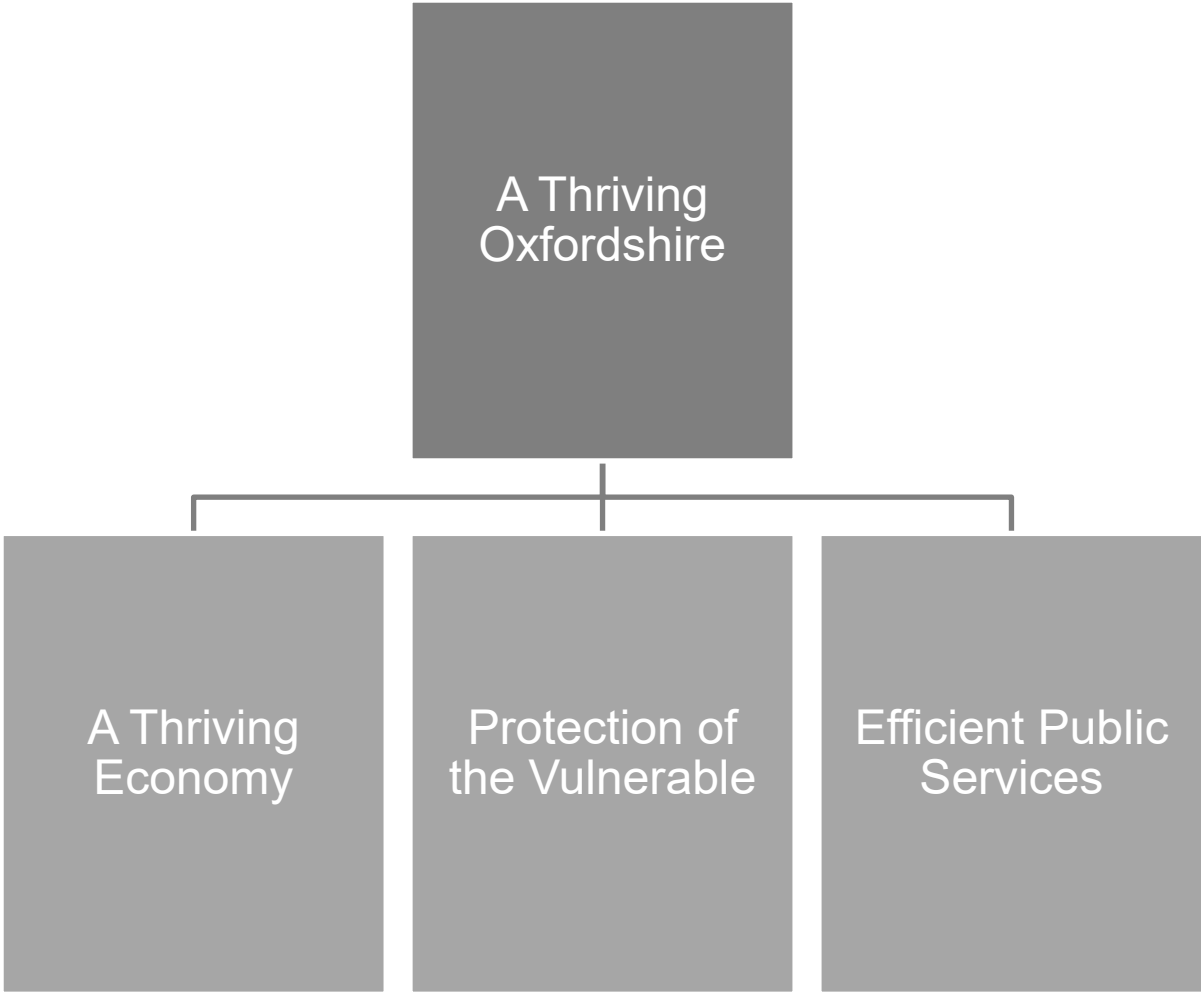
The new 365alive vision describes the strategic outputs that we aim to achieve by 2022:

- 6,000 more people will be alive because of our prevention, protection and emergency response activities. This supports the OCC strategic Priority: Efficient public services.
- 85,000 children and young adults better educated to lead safer and healthier lives. This supports the OCC strategic Priority: Protection for vulnerable people.
- 37,500 vulnerable children and adults helped to lead more secure and independent lives supported by safe and well-being visits. This supports the OCC strategic Priority: Protection for vulnerable people.
- 20,000 businesses given advice and support to grow. This supports the OCC strategic Priority: A thriving economy.
- We have set a social media reach target of 1.6 million interactions across various social media platforms. This supports the OCC strategic Priority: Protection for vulnerable people.

PREVENTION, PROTECTION & EMERGENCY RESPONSE	EDUCATION	VULNERABLE / LOOKED AFTER CHILDREN & ADULTS	BUSINESSES
6,000 more people alive as a result of our prevention, protection and emergency response activities.	85,000 children and young adults (to include looked after children) to be better educated to lead safer and healthier lives.	37,500 vulnerable children and adults helped to lead more secure and independent lives supported by safe and well-being visits.	20,000 businesses given advice and support to grow.

1.6 Million Safety Messages

365alive website

Our operational strategies are based on the delivery of our prevention, protection and operational response functions. These are supported by the organisational development strategy, the asset management strategy and the financial plan.

Our key strategic documents are shown in the following diagram:

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Key strategic documents

1 Departmental & Station Plans

These plans are specific to functional departments and communities. They detail what we will do and how we will make sure it gets done.

2 Strategic Documents

Our strategic documents set out our intentions to develop and improve all areas of the service

PREVENTION, PROTECTION	RESPONSE, RESILIENCE
ORGANISATIONAL DEVELOPMENT	ASSET MANAGEMENT
COMMUNICATION STRATEGY	FINANCIAL PLAN

4 365alive: Our Strategic Aims & Targets

PREVENTION, PROTECTION & EMERGENCY RESPONSE	EDUCATION	VULNERABLE / LOOKED AFTER CHILDREN & ADULTS	BUSINESSES
6,000 more people alive as a result of our prevention, protection and emergency response activities.	85,000 children and young adults (to include looked after children) to be better educated to lead safer and healthier lives.	37,500 vulnerable children and adults helped to lead more secure and independent lives supported by safe and well-being visits.	20,000 businesses given advice and support to grow.

1.6 Million Safety Messages

3 Community Risk Management Planning

This identifies the risks to our communities. It states how we can provide an efficient service that reduces these risks and deals with emergencies.

Community Risk Management Plan 2017-22	Community Risk Management Annual Action Plans

OUR PURPOSE
Working every day to save and improve lives of people across Oxfordshire.

Our Performance Pledge
This document tells the community what level of performance and service they should expect from us.

Oxfordshire County Council Ambition - A Thriving Oxfordshire
- A thriving economy
- Protection of the vulnerable
- Efficient public services

10

Our challenges and priorities during 2017-18

Over the last 12 months, we have extended our provision of service to the community by collaborating with other agencies by engaging in the following projects:

- Assisting the County Coroner on behalf of Oxfordshire County Council, this service commenced in May 2017 to support the County Coroner in the dignified statutory duties.

- Patient Transport on behalf of Oxfordshire County Council is an extension of a six-month trial that began in January 2017. On average, we transport 88 patients per day to medical appointments in support of the South Central Ambulance Service's Clinical Commissioning Group. This service has now been internally evaluated and has now ceased.

- Tree clearing service to support Oxfordshire County Council Communities Directorate. Using the skills and equipment we already possess in a new way, we have been able to make savings to the County Council by removing fallen trees from the highway network in Oxfordshire, averaging 23 fallen trees a month.

- Co-responding to support South Central Ambulance Service (SCAS), where a fire appliance will respond to certain medical 999 calls, as screened by SCAS, and provide immediate emergency care to the critically ill. We attended 1736 calls during the year.

- Attending cardiac arrests to support SCAS. All our fire appliances carry defibrillators, as do prominent key stations. All our crews, across the 24 fire stations are alerted to cardiac arrest calls and will attend as the nearest asset.

- Effecting Entry to support SCAS and Thames Valley Police (TVP). Fire crews will gain access to premises to assist with a medical emergency, using our skills, experience and a range of equipment to make entry, limit damage and secure a property as necessary.

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Through 2018-19

The Home Office has set out a Fire Reform Programme that will provide transformation of fire and rescue services to:

- Deliver efficiencies and savings
- Introduce a new rigorous and independent inspection regime system through the newly formed HMICFRS (Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services)
- Transform the diversity of its operational workforce
- Publish comparative procurement data from every fire and rescue authority in England and to encourage services to pool their purchasing power and buy collectively
- Comply with the Legal duty in the Policing and Crime Act 2017 to collaborate with the Police and Ambulance service.

The Chief Fire Officers from all Thames Valley FRS's have decided that a more focused programme of collaboration, across the three organisations, will enable better integration and efficient services to the public. It was recognised that there is considerable work going on within each service and that capacity and workload is a significant factor for all our management teams. As such an agreed number of key work streams are being proposed.

These projects will be:

- Thames Valley Fire Control – We shall be focusing on having one mobilising policy, this will enable staff in the control room to streamline their responses and free up time and effort to ensure that the community gets the best possible response.

- Fire Protection – The services will work together to develop a single fire protection function, one fire protection policy, succession plan and one way of working, providing consistency and opportunities for staff across the Thames Valley.

- Procurement – We shall be concentrating on getting one procurement timetable and looking to buy the same equipment and appliances in all our respective authorities.

- Risk Modelling – We will work together to develop one risk modelling methodology, this will enable a consistent way of assessing risk whilst still allowing risk appetite to be defined locally.

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- Workforce reform – The Services will work together on workforce reform, learning from each other and sharing best practice to enable our staff to have the best possible opportunities and enable our staff to shape the future of our service.

- Blue light collaboration – The work going on with SCAS and TVP needs to be accelerated and highlighted to enable the community to get the best possible service.

- Operational alignment- The service will work with the other Thames Valley Fire and Rescue Services to fully align operational practices following the National Operation Guidance program

Chief Fire Officer's statement on equality and diversity

OFRS recognise that all individuals have fundamental human rights and, therefore, adopts a rights-based approach to equality.

We seek to develop and provide relevant, appropriate and accessible services that meet the needs of our diverse population. The service will eliminate unlawful or otherwise unjustifiable discrimination and promote equality in the provision of our services. As an employer we value the contribution that every employee makes and respect individual differences, utilising the diversity of our workforce as a positive benefit.

Chief Fire Officer Simon Furlong

The service fully supports the OCC Equality Policy and its objectives and publishes case studies to demonstrate how these objectives are met.

[Equality and inclusion case studies](#)

Governance arrangements

OFRS is an integral part of Oxfordshire County Council (OCC), who are responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

OCC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

13

OCC has approved and adopted a code of corporate governance that is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

The OCC Annual Governance Statement enables the fire and rescue service to demonstrate that it has fulfilled its obligations under the framework. Full details can be found in the OCC Annual Governance Statement, which is included in our 'Statement of Accounts' publication at the end of the document.

[Annual accounts and audit](#)

General arrangements for ensuring effectiveness of the system of Internal Control is governed by the Corporate Governance Framework, which sets out the Council's approach to corporate governance.

- [Corporate Governance Assurance Framework](#)

The OCC Monitoring Officer has a statutory responsibility for ensuring the Council complies with its legal requirements and conducts its business properly. This is achieved through the following:

- Corporate Governance Assurance Group (CGAG): Co-ordinates preparation of the Annual Governance Statement and, therefore, receives corporate lead assessments as well as identification of areas of improvement on the internal control environment.

- Corporate Governance Policies: The Monitoring Officer has delegated authority to approve and amend operational policies and procedures relating to corporate governance, if necessary in consultation with the Leader and Deputy Leader of the Council.

- County Leadership Team (CLT): Provides the strategic oversight of the work of the Council and reviews the work of Cabinet by scrutinising the Forward Plan and raising any issues of concern. The Monitoring Officer sits as a designated Officer on CLT to advise and assist in relation to policies and strategies in compliance with legal requirements.

- Audit Working Group and Audit & Governance Committee: The Monitoring Officer reports to this Committee with regards to compliance of corporate governance policies, including Members register of interests.

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Your fire and rescue authority

OCC is a county authority and is the fire authority for Oxfordshire represented by a full council with all members. All the key decisions are made by cabinet members, meeting either jointly as the cabinet or as individual cabinet members, taking delegated decisions within their own responsibilities.

Councillor Judith Heathcoat, Deputy Leader of the Council, has responsibility for:

- Fire and rescue
- Fire control
- Trading standards
- Emergency planning
- Flooding
- Internal management
- HR and industrial relations
- Policy co-ordination
- Equalities
- Localities
- Community cohesion

The performance of the fire and rescue service is overseen by the Performance Scrutiny Committee and the Audit and Governance Committee. Cabinet meetings are held once a month and are attended by all cabinet members. The cabinet is also responsible for preparing the budget and policies to propose to the full council. The scrutiny committees provide advice to the cabinet on major policy issues and may review its decisions.

Details of how the community can attend meetings and access agendas and reports can be found at:
- [Meetings and decisions web page](#)

Our legal responsibilities

Responsibilities under the Fire and Rescue Services Act 2004

The Fire and Rescue Services Act 2004 sets out the duties and powers of fire and rescue authorities. Under the Act, the Fire Authority has many core functions:

- Fire safety: Promoting fire safety, including the provision of information and publicity on steps to be taken to prevent fires. Giving of advice on how to prevent fires and on the means of escape from buildings in case of fire.

- Firefighting: Extinguishing fires and protecting life and property in the event of fires.

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- To respond to and rescue people from road traffic collisions (RTCs) and protecting people from serious harm in the event of RTCs.

- Emergencies: When necessary deal with emergencies other than fires and road traffic accidents.

We address these core functions in the CRMP, which identifies and assesses foreseeable fire and rescue related risks that could affect our community. Action plans are produced based on the CRMP that set out many priorities.

The Fire and Rescue Service Act 2004
Community Risk Management Plans and Action Plans

Responsibilities under the Civil Contingencies Act 2004

The Civil Contingencies Act 2004 (CCA) places certain duties on all Category 1 Responders as defined by the Act, including OFRS. One of these duties is the formation of the Thames Valley Local Resilience Forum (TVLRF).

The Act requires Category 1 Responders to maintain the plans for preventing emergencies; reducing, controlling or mitigating the effects of emergencies; and taking other action in the event of emergencies. Provide advice and assistance to businesses and voluntary organisations regarding business continuity management.

These plans are drawn from risk assessments and have regard for the arrangements to warn, inform and advise the public at the time of an emergency. The Emergency Planning Unit, which is part of OFRS, has overall responsibility and is key to helping the council meet these duties.

- Civil Contingencies Act 2004
- Thames Valley Local Resilience Forum website

Responsibilities under the Fire and Rescue Services (Emergencies) (England) Order 2007

The Fire & Rescue Services (Emergencies) (England) Order 2007 instructs fire authorities to make provision for:

- Decontamination of people and to limit harm to the environment at chemical, biological, radiological or nuclear emergencies.

- The rescue of people at emergencies involving collapse of building, structures, incidents involving trains, trams or aircraft, and where resources are required beyond the scope of day to day operations.

- Personnel, services and training and make arrangements to carry out these above functions.

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- Response to emergencies outside the fire authorities' area.

We make provision for these requirements through operational planning and procedures as part of our involvement with the National Resilience Programme.

National Fire Chief Council is the organisation that provides assurance to the Home Office that the National Resilience Capabilities (NRC) generated can meet the new threats to national stability. CNR provides operational assurance at the strategic level.

- [Fire resilience website](#)
- [The Fire & Rescue Services (Emergencies) (England) Order](#)

Responsibilities under the Regulatory Reform (Fire Safety) Order 2005

OFRS enforces general fire safety legislation on behalf of the county council. Other related legislation the authority enforces includes:

- The Dangerous Substances (Notification & Marking of Sites) Regulations 1990.

- The Health and Safety (Safety Signs and Signals) Regulations 1996.

- The Construction (Design and Management) Regulations 2015.

Our enforcement activities adhere to the principles of 'better regulation' contained in the Enforcement Concordat and Regulators Compliance Code and we aim to support business and other responsible persons through education and the provision of advice and guidance. Where it is necessary, we will take enforcement action and will only consider prosecution where it is in the public's best interest.

Full details of how we discharge are responsibilities under fire safety legislation can be found at:
[Fire safety advice for businesses web page](#)

Responsibilities under the Health & Safety at Work etc. Act 1974 and the Management of Health & Safety at Work Regulations 1999

OFRS operates within the county council's management framework which incorporates the provisions of the Health & Safety at Work etc. Act 1974, the Management of Health & Safety at Work Regulations 1999 and the responsibility to provide, so far as is reasonably practicable, a safe and healthy working environment for all employees.

Our health and safety policy documents explain how we discharge our responsibilities under health and safety legislation.

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[Fire and Rescue Service Health and Safety Policy Part 2](#)
[Fire and Rescue Service Health and Safety Policy Part 3](#)

Responsibilities under the Localism Act 2011

The Localism Act 2011 gives fire authorities powers of competence to:

- Carry out its functions so that it will be able to do anything they consider appropriate for purposes linked to their statutory responsibilities to help deliver innovative and more personalised services to their communities.

- Make charges for certain services. These powers enable both councils and fire and rescue authorities to act innovatively to generate efficiencies and secure value for money outcomes.

Full details of the of the Localism Act 2011 and community right to challenge and right to bid for community assets can be found at:

- [Community Rights and Localism Act web page](#)

The Fire and Rescue Service National Framework

The current Fire and Rescue National Framework for England published in 2012 sets out the government's priorities and objectives for fire and rescue authorities in England to:

- Identify and assess the full range of foreseeable fire and rescue related risks their areas face, make provision for prevention and protection activities and respond to incidents appropriately.

- Work in partnership with their communities and a wide range of partners locally and nationally to deliver their service.

- Be accountable to communities for the service they provide.

A gap analysis was undertaken to ensure that OFRS met the requirements of the framework document and an action plan has been completed.

- [National Framework Document Published July 2012](#)
- [National Framework Requirements Gap Analysis](#)

In December 2017, the Home Office revised and consulted on the National Framework for England. At the time of going to print we await the outcome of the review.

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Management of risk

The county council has a risk management strategy which aims to ensure that there is continuous improvement in the arrangements for managing risk across the directorates.

Full details can be found in the OCC Annual Governance Statement which is included in our 'Statement of Accounts' publication at the end of the document. These are published each year, on the Council's website at:

[Annual accounts and audit web page](#)

OFRS risk management strategy follows the principles of the Office of Government Commerce's Management of Risk Framework. All members of staff work to identify threats and opportunities to the service and our communities.

Once a risk has been identified we decide how we want to deal with it then monitor it closely. Risk registers are maintained for strategic risk and operational risk. The nature of certain risks means that not all records will be accessible to all.

- [Risk Management Strategy](#)

Responsibilities under the Road Traffic Act 1988 section 39

Oxfordshire County Council as the local authority has a statutory responsibility under section 39 of the Road Traffic Act 1988 for road safety engineering, education, training and publicity (ETP) that are discharged through both the Environment and Economy and OFRS. Full details of how we discharged are responsibilities to provide road safety information, advice and training under the Road Traffic Act 1988 can be
found at:

- [Road safety web page](#)

Our collaborative arrangements

Memorandums of Understanding (MOU's) exist with other agencies such as Highways Authority, Thames Valley Police, South Central Ambulance Service and the Defence Fire and Rescue Service.

We also have MOU's with other local organisations such as RAF Brize Norton, British Red Cross, HMP Huntercombe, Emergency Response Team Search and Rescue and Oxfordshire Lowland Search and Rescue.

A full list of Memorandums of Understanding can be found on the website at:

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How we secure business continuity

Business continuity management is a series of processes and plans that identify risk and develop OFRS resilience to ensure that adverse events cause minimal disruption to the services provided and that critical services are maintained. Plans have been developed for all sites and critical functional departments, and these plans have been tested and exercised.

Our performance

How we performed during 2017-18

A description of the fire authority's key performance indicators and targets against which the service is measured can be found in OFRS Annual Report. This report reviews our performance over the last financial year and shows the headline statistics and trends in incidents and emergencies that we have attended.

This allows us to recognise areas where we have done well, identify where we can improve our service and trends in specific incidents and emergency types. It helps us decide where to focus our efforts and resources to reduce threats and explore opportunities. The report contributes to our future planning and is essential to our process of integrated risk management.

- Performance information - Annual Reports

Response standards performance

Since April 2005 OFRS has had local response standards for attending emergency incidents in the county. The Chief Fire Officer is required to report annually on the fire and rescue service's performance against these standards and bring forward any recommendations as appropriate. Our response targets remain stretching, yet in 2017-18 we achieved our targets.

Local response standards are:

- 91 per cent of all emergency incidents will be responded to within 11 minutes.
- 97 per cent of all emergency incidents will be responded to within 14 minutes.

The above is measured by the time it takes to get the first fire appliance to the scene from the time at which the fire station is first alerted.

2017-18 Response Standards Performance

Response standards performance 2017-18	Total emergency incidents in scope	Incidents responded to <11mins	per cent response standards <11mins	Incidents responded to <14mins	per cent response standards <14mins
Totals	4598	4172	90.74	4471	97.24

Oxfordshire Fire and Rescue Service performance web page

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Benchmarking

We use national benchmarking reports and tools. We are also part of a [National Fire Chiefs Council](#) (NFCC) family group to facilitate benchmarking against fire and rescue services of similar size and demographics and to promote best practice. The Fire Statistics Monitor publication provides headline figures on fire, false alarm and special service incidents in England.

- [Fire Statistics Monitor Report](#)

What others have said about our performance

Operational Assessment (OpA) Peer Challenge

One of the main external assurance mechanisms for the fire and rescue is the Local Government Associations (LGA's) Fire Peer Review. OFRS completed an OpA in November 2017 which resulted in positive feedback from the peers within their report. An action plan is in the process of being created. The 2017 OpA report can be found on the link below:

[2017 Peer Review](#)

Customer Service Excellence Award

The government wants services for all that are efficient, effective, excellent, equitable and empowering with the citizen always at the heart of service provision.

Customer Service Excellence was developed to offer services a practical tool for driving customer focused change within their organisation, with our annual reassessment taking place in March.

- [Customer Service Excellence Report](#)

Strategic Risk and Assurance Team

The Strategic Risk and Assurance Team ensures consistently high performance throughout the organisation by conducting quality assurance audits.

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Lessons learnt from incidents

We demonstrate our commitment to high performance and making improvements to our operational response by conducting active monitoring of all operational incidents.

Themed audits are conduct for specific incident types to ensure that correct operational procedures are being implemented. The themes for our operational audits are identified from new national procedural implementation, national highlighted areas of concern and following the issuing of new operational equipment.

Our audits highlight areas of good practice and identify trends and training needs. This evidence base is used to feedback into reviews of training across the service. The results of operational audits are published on the service intranet for access by all personnel.

Our Incident Commanders conduct hot debriefs after most incidents. If the incident reaches a pre-determined level or is of special interest we hold a structured debrief. The outcomes from structured debriefs result in action plans that are feedback into training and available to all personnel.

Coroners Regulation 28 Notices

The coroner, through Regulation 28 of the Coroners (investigation) Regulations 2013, has the authority to produce a preventable future death report. OFRS have reviewed the reports and created actions plans to ensure we follow the recommendations and lessons learnt, from the Regulation 28 notices. We have also created an action plan following the publication of the Fire Brigades Union Warwickshire Report.

Financial performance: statement of accounts

Where our money came from

Our budget for 2017-18

OFRS are an integral part of OCC who provide the statement of accounts and audit that can be found on the OCC public website:
    [Annual accounts and audit](#)

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What your money was spent on

Revenue expenditure

The total net budget for Oxfordshire Fire and Rescue Service for 2017-18 was £23.888m, with a controllable service budget of £21.487m. A summary of OFRS expenditure can be found in the Annual Report at:

[Oxfordshire Fire and Rescue Service performance](#)

Expenditure per head of population[1]

The cost of providing the fire and rescue service in 2016/17 was approximately 10p per day for each person within Oxfordshire.

The cost per head of population for 2016-17 was £34.40 compared to the average cost of:

- South east region fire and rescue services - £40.22
- Family group fire and rescue services - £37.83
- All English fire and rescue services - £40.29
- County council fire and rescue services - £36.82

Expenditure per member of staff

We provided a service at a cost of £45,637 per member of staff in 2016-17compared to the average cost of:

- South east region fire and rescue services - £52,814
- Family group fire and rescue services - £50,297
- All English fire and rescue services - £49,628
- County council fire and rescue services - £45,058
- [Pay Policy Statement](#)

Expenditure per incident

Our overall expenditure against the number of incidents we attend is £3,351 per incident in 2016-17 compared to the average of:

- South east region fire and rescue services - £3,892.
- Family group fire and rescue services - £4,062
- All English fire and rescue services - £4,401.
- County council fire and rescue services - £4,266

How we provide value for money

OCC Corporate Plan 2016 to 2020 sets out the key objectives and priorities for action for the council. It is a key document and sets out the broad strategic direction, as well as the council's values and principles that guide all our work.

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[1] Financial data is taken from the CIPFA Fire and Rescue Statistics 2016/17, as CIPFA 2017/18 statistics are not currently available. County council fire and rescue service figures do not include Isle of Wight or Isles of Scilly as they do not represent a fair comparison due to their size

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We have an absolute focus on ensuring services are efficient and delivering value for money for local people.

- ▪ [The OCC Corporate Plan](#)

Auditors findings

A summary of auditors' reports and findings can be found in the Annual Audit Letter 2016-17 on the link below. The Accounts and Audit Regulations require local authorities, including fire and rescue authorities, to prepare an annual governance statement in support of the annual statement of accounts. Full details can be found in the OCC Annual Governance Statement, which is included in our 'Statement of Accounts' publication at the end of the document.

[Annual accounts and audit](#)

Our future plans

Our CRMP has formed part of our approach to mitigate risk within Oxfordshire through prevention, protection and intervention strategies.

The following projects will be included within the fire authority's CRMP for the fiscal year 2018/19:

- Project 1: Establishing Community Safety Advocates or Wardens
- Project 2: To increase the diversity of the Operational Workforce to reflect the community that we serve
- Project 3: To review resourcing of our fire protection service delivery and the effective enforcement of fire safety legislation in the County
- Project 4: Implement the outcomes of the 2017/18 review whole-time shift duty system

[Community Risk Management Plan and Annual Action Plans](#)

Our community engagement

Consultation on our new strategic CRMP 2017-22 and Action Plan 2017-18 was consulted on from the 10 October 2016 to 9 January 2017.

The Consultation Responses Report can be found at:

- [Consultation Responses Report](#)

Comments and compliments

The fire and rescue service is passionate about delivering top quality customer service. Delivering excellent customer service benefits us as individuals, our organisation and our community. We also know that we need to continually adjust and improve our levels of customer service because we need to meet the changing needs and expectations of our customers.

If you have any comments, compliments, complaints or suggestions, please contact us using whichever of the following methods is most convenient to you:

- Telephone: 01865 815906.
- Email: complaints@oxfordshire.gov.uk.
- Online: www.oxfordshire.gov.uk/complaints.
- Post: write to: Complaints Team
-

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First floor County Hall
Oxford
OX1 1ND.

Comprehensive information is available in the following links:
[How to make a complaint about Oxfordshire County Council](#)
[Fire and rescue service comments, compliments and complaints](#)

How you can become involved

To make a request for a free Safe and Well check, call the community Safety Helpline free on 08000 325999 or visit [365alive.co.uk](#) and complete our quick on-line questionnaire.

For fire and road safety advice, visit [365alive.co.uk](#).

Follow us on Twitter at [@OxonFireRescue](#) or on Facebook at [Oxfordshirefireandrescueservice(official)](#).

Access to information

Details regarding the fire authority's arrangements in respect of access to data and information can be found on the council's [access to data and information web page](#).

Signature

Signed on behalf of Oxfordshire County Council:

Date: April 2018

Councillor Judith Heathcoat

Cabinet member with responsibility for the fire and rescue service

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Division(s):

AUDIT AND GOVERNANCE COMMITTEE – 25 APRIL 2018

ANNUAL GOVERNANCE STATEMENT 2017/18

Report by the Chief Legal Officer and Monitoring Officer

Introduction

1. The Audit & Governance Committee has the responsibility of approving the Council's Annual Governance Statement (AGS) each year.

2. Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year, and setting out any planned changes in the coming period.

3. This report presents the draft Annual Governance Statement to the Committee for consideration and approval.

Format of the Annual Governance Statement

4. The format of the Annual Governance Statement (AGS) reflects the good practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The AGS includes:

   - An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
   - A review of the *effectiveness* of the Council's governance arrangements
   - A *conclusion* in relation to the effectiveness
   - A review of the *action plan* from last year's statement
   - An *action plan for 2018/19*
   - An *annex* summarising our governance framework

Conclusion

5. The AGS has been prepared by the Council's Corporate Governance Assurance Group responsible for monitoring the Council's governance arrangements during the year. This Committee's Audit Working Group gave the AGS an initial review on 4 April and some revisions were made in consequence, adding actions to the Action Plan for 2018/19.

6. The Opinion currently expressed in the AGS is:

"It is our opinion that the Council's governance arrangements in 2017/18 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2018/19"

7. The Committee is invited to approve the AGS as now submitted.

Legal Implications

8. The Accounts and Audit Regulations 2015 require councils to undertake an annual review of their governance. The Regulations require that an Annual Governance Statement prepared to fulfil this requirement should form part of the Council's Statement of Accounts. The report is therefore coming to the Committee to meet this purpose and that timescale. A version of the AGS therefore needs to be approved at this meeting. The Regulations also state that the Annual Governance Statement should be prepared in accordance with proper practices. Compliance with the CIPFA guidance (*Delivering Good Governance in Local Government: Framework (2016))* fulfils this requirement and I confirm that the Statement put forward with this report is compliant with that guidance/framework.

RECOMMENDATION

9. **The Audit & Governance Committee is RECOMMENDED to approve the Annual Governance Statement 2017/18, subject to the Chief Legal Officer 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.**

NICK GRAHAM
Chief Legal Officer and Monitoring Officer

Contact Officer: Glenn Watson, Principal Governance Officer
07776 997946

Annual Governance Statement 2017/18

INTRODUCTION

1. This is Oxfordshire County Council's Annual Governance Statement for 2017/18. It provides:

   - An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
   - A review of the *effectiveness* of the Council's governance arrangements
   - A *conclusion* in relation to the effectiveness
   - A review of the *action plan* from last year's statement
   - An *action plan for 2018/19*
   - An *annex* summarising our governance framework

2. The Statement will be published on the Council's website and will also form part of the Council's Statement of Accounts. The Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015. This statement covers all services including the Fire & Rescue Service. However, the Fire & Rescue Service are required to produce a separate Statement of Assurance which will supplement this statement. A copy of the Fire and Rescue Service Annual Statement of Assurance for 2017/18 can also be found on our public website at: http://www.oxfordshire.gov.uk/cms/content/oxfordshire-fire-and-rescue-service-performance

STATEMENT OF OPINION

It is our opinion that the Council's governance arrangements in 2017/18 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2018/19.

SIGNATURES

Signed on behalf of Oxfordshire County Council:

………………………………..   Date ……….   ………………………………..   Date ……….

Peter Clark   Lorna Baxter

Chief Executive   Chief Finance Officer

………………………………..   Date ……….   ………………………………..   Date ……….

Councillor Ian Hudspeth   Nicholas Graham

Leader of the Council   Monitoring Officer

APRIL 2018

SIGNIFICANT GOVERNANCE ISSUES

Progress in 2017/18

3. This is a review of the progress during 2017/18 on the priorities for that year:

Actions that were planned for 2017/18	Timescale, Responsible Officer, Monitoring Body	Progress	Status
Business Continuity (BC): Risk relating to key contractor/partner provision (supply chain management), especially where "BAU" already significantly impacts our resource/capacity: supply disrupted protracted recovery provider failure / withdrawal **Proposed action:** Where key partners / contracts e.g. IBC, Carillion, Skanska may suffer business disruption, promote further work to identify OCC vulnerability and mitigations. Seek BC exercise with key partners around supply disruption, i.e. fuel supply	Business Continuity & Resilience Officer Assistant Chief Fire Officer (as Chair of Business Continuity Steering Group) December 2017 Corporate Governance Assurance Group (CGAG)	Recruitment of new Business Continuity manager (commencing March 2018) Supply Chain Business Continuity workshop planned for 2018 Further Hydra exercises planned for 2018 in April Remaining actions prioritised for review by new BC Manager in Quarter 1 2018/19	In progress (risk reduced)
Business Continuity: Risks relating to organisational structure change: • Senior Management Review • subsequent service reorganisation • agile working. Proposed action: Following the Senior Management Review: a) refresh continuity	Business Continuity & Resilience Officer & Assistant Chief Fire Officer (as Chair of Business Continuity Steering	Actions prioritised for review by new BC Manager in Quarter 1 2018/19	In progress (risk reduced)

Actions that were planned for 2017/18	Timescale, Responsible Officer, Monitoring Body	Progress	Status
priorities and vulnerabilities with key service continuity requirements i.e. through BIA b) provide training and exercise in major incident response for significant disruption (e.g. loss of site), managing agile pros/cons c) through senior management engagement ensure BC in subsequent reorganisation at service and team levels, including adaptation to agile.	Group December 2017 = key service prioritisation, strategic training and exercising March 2018 = embedding business continuity CGAG		
Corporate Security Implement a programme of actions to integrate and strengthen corporate security of the Council's buildings and essential infrastructure .	Director for Property and Investment March 2018 CGAG	TBC: Activities continued to build and test the council's corporate security (e.g. enhanced ID badge arrangements and enforcement; installation of the bollards at the entrance to County Hall; test exercises on in-building security; cyber security measures	TBC In progress (risk reduced)
Finance Develop, implement and operate a robust debt management strategy, providing clarity over the standards and process for the effective collection of income	Assistant Chief Finance Officer 31 December 2017 Finance Leadership Team	The process has been reviewed and is subject to regular monitoring. The overarching strategy remains outstanding. The strategy will be developed next year but following the outcomes of the	In progress (risk reduced)

Actions that were planned for 2017/18	Timescale, Responsible Officer, Monitoring Body	Progress	Status
		Operating Model and the Financial Management Review.	
Mental Health Address the governance issues arising from the Internal Audit of Mental Health undertaken as part of the 2016/17 Internal Audit plan.	Deputy Director, Adult Social Care 30 September 2017 Adult Social Care Leadership Team	Follow up audit completed March 2018. A third of the actions from the original audit have been implemented, with the remaining still outstanding or have been replaced with new actions.	In progress (risk reduced) but Carried forward to next year's Action Plan for further monitoring
Capital Programme Address the governance issues arising from the Internal Audit of the Capital Programme undertaken as part of the 2016/17 Internal Audit Plan.	Strategic Director of Communities/ Director of Finance 30 September 2017 CGAG	Governance has been reviewed and a new structure in place i.e. the Capital Investment Programme Board.	Completed
Target Operating Model To develop a supporting governance framework in the context of delivering the Better Oxfordshire proposal.	Assistant Chief Executive 30 September 2017 CLT (County Leadership Team)	The Better Oxfordshire proposal was submitted to the Secretary of State during 207/18 and remains with him for any decision in future. The Council chose to continue the momentum towards a sustainable operating model under the *Fit for the*	**Completed**

Actions that were planned for 2017/18	Timescale, Responsible Officer, Monitoring Body	Progress	Status
		Future programme. A full project-managed *Fit for the Future* Programme, with support and challenge from PwC and with strands led by senior managers fully overseen by a strategic-level Board with five cross-cutting working groups feeding in to it. The programme is in place and now fully under way.	

Action Plan for 2018/19

4. This is an Action Plan of particular governance priorities that the Council will address during 2018/19.

	Action now planned for 2018/19	Timescale for Completion	Responsible Officer	Monitoring Body
1	**Mental Health:** Carry out the remaining governance actions identified in the follow-up audit (March 2018)	March 2019	Deputy Director, Adult Social Care	Adult Social Care Leadership Team
2	**General Data Protection Regulations:** Action plan for ensuring compliance with the incoming GDPRs – including policy review, organisational awareness. Action plan for reviewing and monitoring ongoing compliance	May 2018 March 2019	Director for Law and Governance	CGAG
3.	**Fit for the Future Programme** Implementation of the *Fit for the Future Programme* under sound project governance and to explore/feature governance as a key layer of the new Target Operating Model	July 2018 – decision making on preferred target operating model July 2018 – March 2019: implementation of the planned two-year delivery of the model	Assistant Chief Executive	Fit for the Future Board

	Action now planned for 2018/19	Timescale for Completion	Responsible Officer	Monitoring Body
4	**Corporate Security**: Early appointment of designated project lead to drive a planned series of activity to build and test the Council's corporate security. Delivery of the planned programme.	May 2018 May 2018 – March 2019	Director of Property and Investment & Chief Fire Officer & Director of Law and Governance	County Council Leadership Team
5	**Financial Management**: Deliver a detailed refresh of the assurance framework to ensure its effectiveness; and to follow through the 'case for change' under the Fit for the Future Programme in respect of streamlining systems and processes.;	April 2018 – March 2019	Assistant Chief Finance Officer	Finance Leadership Team

	Action now planned for 2018/19	Timescale for Completion	Responsible Officer	Monitoring Body
6	**Property:** Deliver property compliance project to review, monitor and prioritise via Key Performance Indicators. And, particularly in the post-Carillion environment, this will include: • a refresh, and strengthening, of systems for the assessment and tracking of health and safety risks across the Council's property and within schools • a refreshed approach to the effective use and management of the Council's properties	April 2018 – March 2019	Strategic Compliance Manager	County Council Leadership Team
7	**External Reports** Implement a robust and effective mechanism for the co-ordination and consideration of, and action plans for implementing, any governance issues arising from External Reports about the Council and its performance.	December 2018	Assistant Chief Executive and Monitoring Officer	Corporate Governance Assurance Group

	Action now planned for 2018/19	Timescale for Completion	Responsible Officer	Monitoring Body
8.	**Procurement:** As part of the new Target Operating Model for the Council: • develop/implement a refreshed Procurement Strategy and Policy	August 2018	Head of Procurement and Commercial	Fit for the Future Transformation Board
	• develop and deploy the electronic Contract Management Systems (eCMS)	Jan 2019	Head of Procurement and Commercial	Fit for the Future Transformation Board
	• refresh contract management skills within the new Model	Aug – Dec 2018	Fit for the Future Transformation Leads for the Procurement and Head of Procurement and Commercial	Fit for the Future Transformation Board/Corporate Governance Assurance Group

REVIEWING OUR EFFECTIVENESS

5. We have reviewed our overall effectiveness. Key points are that:

- We have made progress on implementing our Action Plan for 2017/18 as noted above;
- Our decision taking processes are clear;
- Key management roles have continued to be defined and to operate as part of the council's leadership team - Head of Paid Service, Chief Finance Officer, Monitoring Officer and Chief Internal Auditor;
- A senior management review has been completed, achieving a County Leadership Team that can better deliver good governance for the council's direction of travel and challenges;
- The council operates within a budget that included a low council tax increase, and delivers year on year savings despite significant financial pressures.
- Financial management systems and processes are subject to regular review and actions taken where areas for improvement are identified to ensure good value for money is achieved.
- We monitored key governance issues through a system of Corporate Lead Officers reporting into a Corporate Governance Assurance Group of senior officers and to the council's Audit & Governance Committee,
- Through the governance assurance framework, issues and unacceptable risk exposures are being highlighted with action plans devised and implementation monitored on a timely basis. This will ensure that the level of risk is returned to acceptable levels as soon as possible.

6. The effectiveness of the Council's governance has been further demonstrated by the Council's active project-planning to meet in-year governance issues. For instance:

- The May 2017 full County Council elections were successfully held in compliance with electoral legislation and good practice (including project inspection) by the Electoral Commission; a full induction programme for councillors was implemented and members appointments to Cabinet and Committees duly made. Together, this ensured robust and seamless decision-making governance
- During 2017/18 the Council laid clear, managed and communicated plans for dealing with governance issues arising from:
  o An in-year council decision to review the Council's political decision-making structures: consisting of a duly appointed cross-party working group to work through the various legal options, precedents and best practice, including direct consultation with councillors, liaison with specialist agencies (e.g. Local Government Association and Centre for Public Scrutiny) and visits to other authorities.
  o Active groundwork and preparation for the commencement of the General Data Protection Regulations: with a specifically tasked and resourced team, project plan, communication plan and actions to ensure organisational awareness and compliance; including networking with other authorities in the south east; and planned work with elected members; together with a full review of the Council's information assets and governance policies to ensure consistency with the incoming Data

Protection Act. The designation of a 'Data Protection Officer' will also feature.

7. Two further significant actions took place in-year which demonstrated the Council's approach to good governance and effective actions and interventions:

   i. Planned and managed arrangements for decoupling from Carillion contract(s) even before the collapse of Carillion:

   - The Council had already begun a managed withdrawal for its Carillion contracts and so was in a good position to act more swiftly following the collapse of the company
   - The Council successfully managed its governance processes to:
     - Transfer 271 staff to the Council, without incident (400 in total, many of these transferred to academies), with all receiving uninterrupted pay
     - Taking over the supply chains and sub-contracts Carillion held for the delivery of Catering and Cleaning, ensuring uninterrupted service across the estate
     - Beginning to establish a baseline as regards property, construction and estate to enable an effective assessment and prioritisation of works.
     -

   ii. The commencement of the Council's key change initiative, the *Fit for the Future* programme: this represents the Council's determination to develop an operating model which can fit the Council for the challenges ahead, which puts service delivery front and centre and which achieves better direction of the Council's resources, customer experience and digital offering. With assistance and challenge from consultants PwC, and engagement with staff, the Council has devised a targeted programme of activity, overseen by a Fit for the Future Board of senior managers: consistent of a set of work-programmes or layers, the governance of the project has been fully considered; and the project itself has a dedicated workstream to ensure that any resulting operating model has effective governance built-in from the outset. The furtherance of this project forms part of the Action Plan of this

Conclusion

9. We consider that our governance arrangements are in sound shape, and have been demonstrably sufficient to meet the pressures, scale of change and challenges arising during the year.

Statement for 2018/19.

Measuring and Managing Service Performance

10. Oxfordshire County Council has used a performance management framework, centred on quarterly reporting and an exception based escalation of issues. Priorities are identified in the Corporate Plan and related performance

indicators are agreed with directorates, as part of the service and resource planning process. Progress is reported by the use of dashboards with Red, Amber or Green (RAG) ratings.

11. Accountability for performance runs from the individual to corporate level through directorate leadership teams and then on to the County Council Leadership Team (CLT). Public reports are made to Performance Scrutiny Committee and Cabinet. Performance Scrutiny Committee met 7 times in 2017/18 to consider performance across the Council focusing on a directorate in detail at each meeting. The Committee can call for additional reports from directors and examine issues in detail to ensure that improvements are made. The Committee also challenges proposed indicators and targets to ensure they are realistic and in line with strategic priorities.

Compliance, Risks and Complaints & Whistleblowing

Compliance

12. Oxfordshire County Council has used a range of measures to ensure compliance with established policies, procedures, laws and regulations including:

- Notification of changes in the law, regulations and practice to directorates by Legal Officers;

- Induction training for officers and managers on key governance responsibilities

- Specific training carried out by Legal Officers and external experts;

- The drawing up and circulation of guidance and advice on key procedures, policies and practices;

- Proactive monitoring of compliance by relevant key officers including the Chief Finance Officer, the Monitoring Officer and the Chief Internal Auditor;

- 'Protocol for Implementing New Legislation' ensures that there are Directorate Leads who have a specific obligation to ensure appropriate dissemination of legal, policy and professional information within their Directorates.

13. Guidance and advice on all our key policies and procedures are reviewed and updated on an ongoing basis. All policies and guidance have been given visibility on the Intranet within the Corporate Governance Library as well as separate pages for Human Resources and Finance, Budgets and Procurement and news items

14. Compliance with our policies was monitored by the relevant corporate lead officers. Their assessment was incorporated in the year end 'Certificate of assurance' signed off by each corporate lead officer.

15. Under Section 5 of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to the County Council where, in his opinion, a proposal, decision or omission by the County Council, its Members or Officers is or is likely to be unlawful and also to report on any investigation by the Local Government Ombudsman. No such reports have been necessary in 2017/18:

16. The Monitoring Officer undertakes a review of the County Council's annual governance arrangements. This review was formally reported to, and endorsed by, the Audit & Governance Committee in September 2017.

Risks

17. Oxfordshire County Council has a Risk Management Strategy which aims to ensure that there is continuous improvement in the arrangements for managing risk across all directorates. The Chief Finance Officer was the CLT Risk Champion during 2017/18.

18. Oxfordshire County Council has in place a process for identifying, assessing, managing and reviewing the key areas of risk that could impact on the achievement of County Council's objectives and service priorities. Reports to committees to support key policy decisions or major projects include an assessment of both opportunities and risks.

19. A strategic risk register is in place that is owned and reviewed by CLT. Service Risk Registers were owned and reviewed by each Deputy Director with their management teams and the Director on a quarterly basis. An escalation process is in place to report significant service risks to CLT as part of the quarterly performance reporting process and separately to the Audit Working Group. The Strategic Risk register has been updated in 2017/18 and each risk is owned by a member of CLT. CLT reviews the risk register quarterly.

20. Risk Management in projects is required in our Corporate Project Management Framework. It includes the requirement for risk registers to be maintained as part of the project management process.

Complaints & Whistleblowing

21. Oxfordshire County Council has continued to operate formal complaints and whistleblowing procedures which has allowed staff, service users, contractors, suppliers and the public to confidentially raise concerns about any aspect of service provision or the conduct of staff, elected councillors or other people acting on behalf of the Council.

22. An annual review of reports and incidents of whistleblowing was undertaken by the Monitoring Officer and reported to the Audit & Governance Committee via the report of the Audit Working Group.

Internal audit

23. In 2010 CIPFA issued a Statement on the "Role of the Head of Internal Audit in public service organisations". This outlines the principles that define the core activities and behaviours that belong to the role of the 'Head of Internal Audit' and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor:

- Objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;
- Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control;
- Is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Audit & Governance Committee; and
- Leads and directs an internal audit service that is resourced to be fit for purpose; and is professionally qualified and suitably experienced.

24. The Monitoring Officer sought feedback on the quality and effectiveness of the Internal Audit Service from Senior Managers across the council, reporting back to the Audit and Governance Committee. The conclusion from the survey was that management find the internal audit service effective in fulfilling its role.

25. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards is completed on an annual basis. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This was required by 31 March 2018 and took place in November 2017 and the results were reported to the Audit & Governance Committee in January 2018. This confirmed that the "service is highly regarded within the Council and provides useful assurance on its underlying systems and processes" Minor improvements required have been addressed

26. The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes for the 12 months ended 31 March 2018, there is **satisfactory** assurance regarding Oxfordshire County Council's overall control environment and the arrangements for governance, risk management and control. Where weaknesses have been identified through internal audit review, they have worked with management to agree appropriate corrective action and timescale for improvement.

27. Where Internal Audit identifies areas for improvement, management action plans are in place and are routinely monitored by the Internal Audit team and the Audit Working Group. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

Checking the Effectiveness of our Governance

28. Oxfordshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness has been informed by the work of the senior managers within the County Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, whistleblowing reports and comments made by the external auditors and other review agencies and inspectorates. A report on the effectiveness of Internal Audit was received and endorsed by the Audit & Governance Committee in July 2017.

Audit & Governance Committee

29. The Chairman of our Audit & Governance Committee produced an Annual Report to Council. The Annual Report also covers the work of the Audit Working Group. This group has met regularly throughout the year and reviewed specific areas of governance, risk and control, reporting any significant issues identified to the Committee. The Chairman's report was considered and endorsed by Full Council in July 2017.

Scrutiny Committees

30. Oxfordshire County Council has three scrutiny committees. They cover the following areas:

    - Education;
    - Performance;
    - Joint Health Overview including district council and co-opted lay members

    The good governance of the council has been further enhanced by the work of the Cabinet Advisory Groups. These groups can be set up to examine topics selected by Cabinet which align to corporate council priorities.

31. CIPFA guidance indicated that Audit Committees *'should have clear reporting lines and rights of access to…. for example scrutiny committees'*. The Chairman of the Performance Scrutiny Committee has had a standing invitation to attend our Audit & Governance Committee to provide advice in relation to the work of the Scrutiny Committees. Similarly, the Chairman of Audit & Governance Committee has a reciprocal standing invitation to attend the meetings of the Performance Scrutiny Committee. An annual report on the key achievements of all Scrutiny Committees is considered by our Audit & Governance Committee in draft and submitted for agreement by Council. Full Council considered the annual report of scrutiny committees in May 2017. Scrutiny and Audit Committee Chairmen meet regularly to coordinate their work and forward plans.

Corporate Governance Assurance Group (CGAG)

32. This Group has monitored the corporate governance framework. It reviewed the Annual Governance Statement action plan, as well as monitoring and challenging the assurance framework owned by designated Corporate Leads. The Group continues to identify, challenge and track improvements to any any weaknesses in the internal control environment. It has primary responsibility for collating all of the evidence and producing the first draft of the Annual Governance Statement. No recommendations for improvements were made by the external auditors (Ernst and Young LLP) relating to the 2017/18 Annual Governance Statement, other than to emphasise the importance of a clear conclusion arising from the 'review of effectiveness'.

Key Deliverables

33. Updates on projects are reported quarterly, with information reported through existing quarterly business management (performance/risk/projects) reporting procedures. The forecast financial position is reported monthly to Leadership Teams and through the regular Financial Monitoring and Business Strategy Delivery Reports to Cabinet which are considered by the County Leadership Team (CLT).

34. Further to these monitoring arrangements, the Chief Finance Officer and the Assistant Chief Executive meet with all Deputy Directors. They review the delivery of budget savings, check progress on the delivery of projects and ensure that support is targeted to projects as necessary. The policy and finance teams work with service areas to monitor delivery of agreed savings and escalate issues for consideration to CLTT as required.

Other external reviews

35. Oxfordshire County Council receives external reports and inspections from a range of sources that can provide assurance or indicate any issues related to internal control and governance. These are generally ad-hoc and are reported to CGAG so that governance issues can be reported to Audit & Governance Committee. For completeness Directors are also asked to set out feedback from external reviews in their annual Statement of Assurance.

ANNEX

SUMMARY OF OUR GOVERNANCE FRAMEWORK

A vision for Oxfordshire

1. Oxfordshire County Council's ambition, as set out in the updated 2018-2021 Corporate Plan, is for a county where local residents and businesses can flourish - a thriving Oxfordshire.

2. In 2017/18 our Corporate Planning process was enhanced by the publication of a *Prospectus* to the Corporate Plan, effectively a summary of the Council's vision and priorities.

Equalities

3. Oxfordshire County Council is committed to making Oxfordshire a fair and equal place in which to live, work and visit. We want our services to effectively meet the needs of all local residents, including those in rural areas and areas of deprivation. The Council has an Equalities Policy and we aim to ensure that our staff are equipped with the knowledge and skills to meet the diverse needs of customers, that our services are accessible, and to encourage supportive and cohesive communities through our service delivery. A public consultation has been held to inform the review of the Equalities Policy and to inform the newly issued Equalities Policy 2018-2022.

Consultation and Communication

4. The council ensures it meets its statutory consultation duty by using a consistent approach to consulting service users and other stakeholders about proposed service change.

5. We also have well established consultation and involvement arrangements to specifically engage the community and its staff. There is a council-wide Consultation & Involvement Strategy, a research governance framework covering consultation, evaluation and research with adult social care customers and a dedicated engagement team working with children and young people and vulnerable adults.

Decision making structures

6. Oxfordshire County Council's Constitution sets out the roles of and relationships between the full Council, the Cabinet, Scrutiny and other Committees in the budget setting and policy and decision-making processes. It notes the legal requirements. The County Council's Corporate Plan supplements our Policy Framework. These formal policies are approved by full Council in accordance with the provisions of Oxfordshire County Council's Constitution.

7. The Constitution also sets out a scheme of delegation. The Chief Finance Officer approves the financial scheme and the Monitoring Officer approves the decision-making scheme. The Constitution also records what responsibility each Oxfordshire County Council body or individual delegate (councillor or officer) has for particular types of decisions or areas or functions. The Constitution requires that all decisions taken by or on behalf of the County Council are made in accordance with given principles.

8. The Constitution also sets out how the public can take part in the decision-making process. The Cabinet's Forward Plan alerts the public to what business the Cabinet will be undertaking to give members of the public the right to make representations before a decision is taken. Some of the responsibilities of the County Council committees require statutory consultation to precede a decision being taken.

9. The Constitution is reviewed annually by the Monitoring Officer with recommendations of changes being made to Full Council for consideration and adoption.

10. Oxfordshire County Council has an Audit & Governance Committee which operates in accordance with the CIPFA guidance 2013 and normally meets six times a year. The County Council also operates an Audit Working Group, made up of members of the Committee and Senior Officers, chaired by a co-opted member of the Audit & Governance Committee. The Audit Working Group looks in detail at specific areas of governance, risk or control under the direction of the Audit & Governance Committee.

11. The Monitoring Officer monitors and reviews the operation of the Constitution to ensure that its aims, principles and requirements are given full effect and makes recommendations on any necessary amendments to it to Full Council.

Senior Management

12. The Chief Executive (as Head of Paid Service) is responsible for co-ordinating the different functions of the council, staff appointment, organisation, management, numbers and grades. Additional responsibilities are set out in the Constitution include supporting councillors and the democratic process, overall corporate management and promoting our objectives, performance management, strategic partnership, the community strategy, media and communications.

13. Our Chief Finance Officer holds the statutory role of 'Chief Financial Officer' within the Council. Our Chief Finance Officer is professionally qualified and suitably experienced.

14. The Financial Procedure Rules are part of the Constitution and are published on the Council's website. These 'Rules' and the supporting Financial Regulations are reviewed by the Chief Finance Officer. Schemes of Financial Delegation and Delegation of Powers are reviewed and updated twice a year.

15. Oxfordshire has a Director of Law and Governance who is also the Monitoring Officer. His role, in summary, includes meeting all legal requirements, ensuring effective administration and compliance with statutory responsibilities around the councillors' code of conduct and the ethical standards of officers.

Controls on Information, Projects and ICT

16. Our Information Governance Group reviews and implements corporate policies, including the new Information Governance Policy, the Data Sharing Policy and new tools and methods of work evaluated by ICT Business Delivery to improve the security of data transfer.

17. Oxfordshire County Council requires projects to be managed using their Project Management Framework which gives a comprehensive structure, standard paperwork and defined processes. Progress of Major Programmes is reported to DLTs and to the Delivery Board, and the Chief Executive.

Codes of Conduct

18. Oxfordshire County Council has developed and adopted separate Codes of Conduct for Councillors and Officers; both Codes define the standards of behaviour expected by the County Council and the duty owed to the public. Training on the requirements of the codes is provided by the Council's Monitoring Officer for both Councillors and Officers. Both codes form part of the County Council's Constitution and are readily accessible via the council's Internet and Intranet websites.

19. Each Council must adopt a local Code of Conduct and have arrangements in place to investigate complaints made against Members. Our Council has agreed to include standards within the terms of reference of the Audit & Governance Committee.

20. During 2017-2018, the Council's Audit & Governance Committee engaged with the consultation from the Committee on Standards in Public Life on *Ethical Standards in Local Government*.

WORKING WITH OTHERS

Schools

21. Section 48 of the Schools Standards and Framework Act 1998 requires the authority to prepare a scheme setting out the financial framework for local authority maintained schools, known as the Scheme for Financing Schools.

22. It is the responsibility of each school's governing body to set down and oversee proper governance arrangements for the school. The governing body in maintained schools is accountable to the local authority for the way the school is run.

23. Academies are legally separate entities and therefore their effective governance does not fall within the control or responsibilities of the County Council. The County Council retains responsibilities including ensuring that special educational needs are met, safeguarding, and that the free entitlement to early year's education is provided by academies where applicable.

Partnerships

24. Oxfordshire County Council works together with other bodies and organisations, in a number of different partnerships governed by specific terms of reference. Overall accountability for partnership working rests with Council which is responsible for examining formal and informal feedback mechanisms. Each partnership presents an annual report and a yearly summary of the work of the partnerships set out below is discussed at the September meeting of the County Council. This is also considered by Performance Scrutiny Committee.

25. The key partnerships that Oxfordshire County Council is part of and plays a formal role in are:

- Oxfordshire Partnership
- Oxfordshire Local Enterprise Partnership (OxLEP)
- Oxfordshire Skills Board
- Oxfordshire Growth Board
- Oxfordshire Local Transport Board.
- Oxfordshire Safeguarding Children Board (OSCB),
- Oxfordshire Safeguarding Adults Board
- Oxfordshire Health and Wellbeing Board Oxfordshire Stronger Communities Alliance Oxfordshire Safer Communities Partnership

Overview of Corporate Governance Assurance Framework

Performance Scrutiny Committee
Helps to improve service provision and inform policy

Leader, Head of Paid Service, Monitoring Officer and Section 151 Officer
sign AGS

Chief Internal Auditor
maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices

External Audit
The external auditors provide independent overview of the effectiveness of the control environment and raise specific issues within its annual audit letter

Audit & Governance Committee approves the AGS and receives regular reports on progress; monitors risk and compliance; considers and comments on the External Auditor's annual work plan; monitors effectiveness of Internal Audit; promotes high standards of conduct by councillors and co-opted

County Leadership Team (CLT) ensures Internal Control issues are properly addressed throughout the Council and ensures cross cutting Directorate risks are incorporated into the Council's Strategic Risk Register.
Receives quarterly performance and risk management reports and makes recommendations for improvements

Commercial Services Board
Provides governance of strategic procurement and commercial matters

Corporate Governance Assurance Framework

Code of Corporate Governance

Audit Working Group: sub group of main committee; monitors action plan delivery and comments to CGAG on draft Annual Governance

Corporate Governance Assurance Group (CGAG)
Co-ordinates receipt of reports on internal control and governance. Challenges evaluations of effectiveness and prepares draft AGS

Directors sign Certificate of Assurance each year.

Directorate Management Teams review Risk Registers quarterly as part of performance management

Deputy Directors ensure their Service Risk Register is updated and reflects key areas of risk each quarter.

Corporate Lead Officers
Provide annual statements on their assurance mechanism and the current position

Internal Audit provides independent opinion on:
- the effectiveness of the process for gaining assurance on risk management and internal control
- the effectiveness of control to manage significant areas of risk
- compliance with key internal control processes

There is a separate review of the effectiveness of **Internal Audit**

External Review Bodies Directorates are subject to independent external review and any issues relating to internal control will be reported to the Corporate Governance Assurance Group by the Head of Policy.

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AUDIT and GOVERNANCE COMMITTEE – 25 April 2018

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on Wednesday 4 April 2018.

Attendance:
Full Meeting:
Chairman Dr Geoff Jones; Cllr Roz Smith; Cllr Helen Evans; Cllr Ian Corkin; Ian Dyson, Assistant Chief Finance Officer (Assurance); Sarah Cox, Chief Internal Auditor; Katherine Kitashima, Principal Auditor, Joanne Hilliar, Auditor (minutes)

Part Meeting:
Cllr Nick Carter, Cllr John Sanders, Bev Hindle, Strategic Director Communities & Alexandra Bailey, Director for Property & Investment, Lorna Baxter, Director of Finance, Nick Graham, Director of Law and Governance, Glenn Watson, Principal Governance Officer, Christian Smith, Principal Solicitor Contracts, Paul Bremble, Organisational Assurance Manager, Tim Chapple, Financial Manager (Treasury).

Matters to Report:

AWG 18.02 **Annual Governance Statement, including Corporate Lead Statements**

Nick Graham and Glenn Watson presented the Annual Governance Statement and Corporate Lead Statements for 2017/18. The group discussed how the Corporate Lead Statements are produced and then reviewed and challenged through the Corporate Governance Assurance Group who then identify from these statements any weaknesses in the control environment for further monitoring.

The Group reviewed the Annual Governance Statement and draft action plan and had detailed discussions in areas of Property, Health & Safety, Fit for the Future, SEND, ICT and Procurement.

The group suggested that the wording against the action planned for 2018/19 for Property should specifically refer to the Health & Safety assurance issues highlighted in the Corporate Lead Statement. The group queried whether there would also be a specific action included for Procurement to highlight the planned improvements for 2018/19. Further review of whether a specific action regarding ICT will also be considered for the 2018/19 action plan prior to this being brought back to the Audit & Governance Committee.

The group commented that it would be useful to also include clearly defined outcomes against each action to support monitoring of progress and effectiveness of implementation.

The Group were satisfied with the processes in place to produce the Annual Governance Statement. The updated draft Annual Governance Statement will be presented to the April Audit & Governance Committee. The Annual Governance Statement is due to be published by the end of May 2018 with the draft accounts.

AWG 18.03   Fire & Rescue Statement of Assurance

The Fire and Rescue National Framework for England (the Framework) sets out a requirement for fire and rescue authorities to provide an annual statement of assurance on financial, governance and operational matters and to show how they have due regard to the requirements of the Framework and the expectations set out in authorities' own integrated risk management plans.

This statement of assurance feeds into the overall OCC Annual Governance statement was presented to the group by Paul Bremble.

The Group reviewed and offered comments on the Statement of Assurance, considering areas of the report which commented on risk management, governance arrangements, structures and performance targets.   The Statement of Assurance will be presented to the April Audit & Governance Committee.

AWG 18.04   Exemptions to Contract Procedure Rules

Following an address made by Cllr Sanders to the March Audit & Governance Committee, the Committee requested that the AWG consider the procedures for reporting agreed contract exemptions. Nick Graham presented a report to the group outlining the current process.

The group noted that that Members can seek access to the information by direct request. It was agreed that the wording of the reporting of this information provided to Cabinet will be reviewed and where appropriate enhanced. This will be reviewed for the next quarterly report to Cabinet.

AWG 18.05   Update of Capital Programme Audit

The group had previously considered the audit of the Capital Programme which had an overall grading of Red. Bev Hindle, Alexandra Bailey and Lorna Baxter attended to provide the group with a further update on implementation progress.

The group noted the significant work being undertaken to embed the improved governance framework and processes, including the review of the current process for prioritisation of the capital programme. Improvements to Member engagement and reporting was also discussed.

The group noted that a follow up audit is planned during 2018/19 and that this would include funding from the Oxfordshire Housing and Growth Deal. The group will review the outcomes of the follow up audit and then consider whether officers will be required to attend a future meeting.

The group discussed whether the Audit & Governance Committee could receive a presentation on the governance arrangements for the new Housing and Growth Deal, including Oxfordshire's role as the accountable body. This will be considered for inclusion at the July Committee.

AWG 18.06   Northamptonshire Inspection Report

It was requested at the April Audit & Governance Committee that the AWG consider the Northamptonshire Inspection Report. Lorna Baxter attended for this item and the weaknesses and key issues emerging from the report were discussed by the group:

- *Poor clarity and accountability in terms of structure of the Council and working arrangements*
- *Lack of clarity and no evidence to support a new operating model*
- *Lack of cohesiveness in senior management team*
- *Poor culture relating to challenge and criticism*
- *Scrutiny by Audit Committee not effective*
- *Scrutiny arrangements limited and issues around access to information*
- *Lack of accountability and deliverability of savings targets*
- *Effectiveness of financial management*
- *No budgetary control*
- *Unplanned and significant use of one-off resources to balance budget in-year*

The group considered any potential issues for Oxfordshire. The group also noted the significant difference in performance when reviewing the comparative information between Northamptonshire and Oxfordshire, for example delivery of the savings plans.

The key message from review of the report is to ensure that financial management within Oxfordshire is as strong as it can be. The group were pleased to note the following financial management actions are already planned:

- *Undertake a self- assessment of organisational financial management using the CIPFA Financial Management Toolkit*
- *Refresh Financial Regulations to include stronger focus on compliance*
- *Develop and deliver Financial Management responsibilities refresher training*
- *Restructure and re-define the Finance Function so it better supports the changing needs of the organisation*
- *Review the overall governance framework to ensure it is working effectively and supporting the needs of the organisation*
- *Document and agree structured financial reporting to DLTs, CLT, Informal Cabinet and PGL*
- *Improve financial reporting to Cabinet & Performance Scrutiny Committee including inclusion of FFF project tracking and possible reporting of Capital Programme separately*

AWG 18.07   Internal Audit Update

The group received an update from the Chief Internal Auditor on progress against the Internal Audit Plan and the Counter Fraud Plan.

Reports graded red status from 2016/17 of Capital Programme and Mental Health, and from 2017/18 the audits of S106 and VAT, continue to be monitored by the AWG. Officers attended the meeting of April 2018 to provide updates on implementation of action plans for Capital Programme.

The follow up audit of Mental Health has now been completed. This has highlighted that sufficient improvements have not been made since the last audit and the overall conclusion remains Red. The group noted their concerns with the lack of progress in addressing the weaknesses identified during the initial audit. The executive summary of the finalised report will be presented to the April Audit & Governance Committee and the Director and Deputy Director will be requested to attend the June AWG to provide an update regarding the findings from the recent audit and assurances regarding implementation of the action plan.

The audit of Security Bonds has just been concluded, whilst currently at draft report stage the overall conclusion is likely to be graded as Red. It was agreed the full report will be presented to the June AWG with officers invited to attend.

The group noted their concerns from the recent audit of Safer Recruitment which highlighted weaknesses in respect of recording of DBS checks and 3-year renewals. The group requested that the Director of HR attend the April Audit and Governance Committee to provide an update on the issues identified by the audit.

AWG 18.08   Treasury Management / Impact of Brexit

The Audit & Governance Committee requested that the AWG consider Treasury Management and the Impact of Brexit.

The group received a report from Tim Chapple and noted the potential risk areas being considered from a Treasury Management perspective, acknowledging that some of the risks are impossible to quantify until further details emerge.

Date of next meeting Wednesday 27 June 2018, 2pm

Recommendations

The Committee is recommended to note the report.

Lorna Baxter
Chief Finance Officer

Contact: Officer: Sarah Cox, Chief Internal Auditor
07393 001246   sarah.cox@oxfordshire.gov.uk

AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2018/19

25 July 2018
Statement of Accounts 2017/18 (Lorna Baxter)
Ernst & Young – Final Accounts Audit (David Guest)
Treasury Management Outturn 2017/18 (Tim Chapple)
Review of effectiveness of internal audit (Glenn Watson)
Local Code of Corporate Governance (Glenn Watson)
Internal Audit Charter (Sarah Cox)
Risk Management Strategy (Steven Jones / Anthony Connolly)
Fit For the Future Transformation Programme Update (Maggie Scott)
Counter-fraud Plan 2018/19

12 September 2018
Local Government Ombudsman's Review of Oxfordshire Co Co (Nick Graham)
Internal Audit Plan – Progress Report (Sarah Cox)
Counter-fraud Update (Scott Warner, City/County Partnership)
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Glenn Watson / Richard Webb)
Monitoring Officer Annual Report (Nick Graham)
Ernst & Young - Progress Report (David Guest)

14 November 2018
Ernst & Young: Annual Audit Letter (David Guest)
Treasury Management Mid Term Review (Joseph Turner)

9 January 2019
Internal Audit Plan – Progress Report (Sarah Cox)
Counter-fraud Update (Scott Warner, City/County Partnership)
Ernst & Young - Audit Plan (David Guest)
Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20 (Tim Chapple)
Constitution Review (Glenn Watson)

6 March 2019
Ernst & Young – 2018/19 Audit Plan (David Guest)
Scale of Election Fees and Expenditure (Glenn Watson)
Progress update on Annual Governance Statement Actions (Glenn Watson)
Audit Committee Annual Report to Council 2018 (Sarah Cox)

April 2019
Annual Governance Statement (Glenn Watson)
Annual Report of the Chief Internal Auditor 2018/19 (Sarah Cox)
Internal Audit Strategy & Annual Plan 2019/20 (Sarah Cox)
Audit Committee Annual Report to Council 2018 (Sarah Cox)
Annual Scrutiny Report (Katie Read)
Ernst & Young - Progress Report (David Guest)
OFRS Statement of Assurance 2018-19 (Paul Bremble)
Draft narrative statement and Accounting Policies for inclusion in the Statement of Accounts (Hannah Doney)

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