



To: Members of the Audit & Governance Committee

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

**Wednesday, 9 January 2019 at 2.00 pm**

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

A handwritten signature in blue ink, appearing to read 'Yvonne Rees'.

Yvonne Rees  
Chief Executive

December 2018

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

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**Membership**

Chairman – Councillor Nick Carter  
Deputy Chairman - Councillor Tony Ilott

*Councillors*

Paul Buckley  
Jeannette Matelot  
Charles Mathew

D. McIlveen  
Glynis Phillips  
Les Sibley

Roz Smith

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*Co-optee*

Dr Geoff Jones

**Notes:**

- ***There will be a pre-meeting briefing at County Hall in the Members' Boardroom on Date Not Specified at 9.30am for the Chairman, Deputy Chairman and Opposition Group Spokesman.***
- ***There will be a private Treasury Management briefing at 12 Noon on the day of the Committee meeting in Room 2.***
- ***Date of next meeting: 6 March 2019***

## Declarations of Interest

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

Under the Localism Act 2011 it is a criminal offence to

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

### Whose Interests must be included?

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

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

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

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

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

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

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

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

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

### List of Disclosable Pecuniary Interests:

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

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines.

<http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or [glenn.watson@oxfordshire.gov.uk](mailto:glenn.watson@oxfordshire.gov.uk) for a hard copy of the document.

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

# AGENDA

## 1. Apologies for Absence and Temporary Appointments

## 2. Declaration of Interests - see guidance note

## 3. Minutes (Pages 1 - 8)

To approve the minutes of the meeting held on 14 November 2018 and to receive information arising from them.

## 4. Petitions and Public Address

## 5. Financial Management Action Plan Update

2.10pm

Report from the Director for Finance (**REPORT TO FOLLOW**).

In 2018 the Director of Finance commissioned a review including a consultation with stakeholders on the adequacy and effectiveness of Financial Management across the council. This report summarises the action plan being implemented to address the areas identified as requiring improvement, and an update on progress being made.

## 6. External Auditors (Pages 9 - 58)

2.50pm

Representatives from the external auditors Ernst & Young will attend to present the following items:

- Oxfordshire County Council Audit Planning Report
- Oxfordshire Pension Fund Audit Planning Report

## 7. Internal Audit Plan Progress Report (Pages 59 - 84)

3.10pm

Report by the Director for Finance

This report presents the Internal Audit progress report for 2018/19.

***The Committee is RECOMMENDED to note the progress with the 18/19 Internal Audit Plan and the outcome of the completed audits.***

**8. Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20**

3.30pm

Report from the Director for Finance (**REPORT TO FOLLOW**).

The report contains the annual Treasury Management Strategy Statement and Annual Investment Strategy for 2019/20 in compliance with the CIPFA Code of Practice. The report sets out the borrowing and investment strategies for 2019/20 and relevant background information.

**9. Work Programme (Pages 85 - 86)**

3.50pm

To review the Committee's Work Programme.

**Close of meeting**

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

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## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 14 November 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 Jeannette Matelot  
Councillor Charles Mathew  
Councillor D. McIlveen  
Councillor Glynis Phillips  
Councillor Les Sibley  
Councillor Roz Smith

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

**Other Members in Attendance:** Councillor Ian Corkin (for Agenda Item 10)

**By Invitation:** Simon White, Operations Director, Skanska  
Ruth Plucknett, Ernst & Young

**Officers:**

Whole of meeting Lorna Baxter, Director for Finance; Sarah Cox, Chief Internal Auditor; Colm Ó Caomhánaigh, Committee Secretary

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
5	Owen Jenkins, Director for Infrastructure Operations
6	Alexandra Bailey, Director, Capital, Investment and Delivery; Varinder Raulia, Assistant Director, Infrastructure Delivery
7	Tim Chapple, Financial Manager – Treasury
9, 10, 12	Nick Graham, Director for Law and Governance

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

**13/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

There were no apologies.

**14/18 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 2)

There were no declarations of interest.

**15/18 MINUTES**

(Agenda No. 3)

The minutes of the meetings on 6 September 2018 and 12 September 2018 were approved and signed.

Officers responded to matters arising raised by Members as follows:

4/18: 5 interviews have taken place with Members on the subject of organisational financial management – 3 since the last meeting of this Committee. The feedback will be included in the January 2019 report.

5/18: The Senior Auditor post was advertised with a closing date of Monday 19 November 2018.

10/18: The Monitoring Officers have not managed to meet yet – the next possible date is 23 November 2018. The government has issued a response to the Committee on Standards in Public Life's report on Intimidation in Public Life which will be circulated to Members of the Committee.

**16/18 HIGHWAYS UPDATE WITH SKANSKA**

(Agenda No. 5)

Owen Jenkins introduced the presentation outlining the history of the contract with Skanska to date and the remaining audit issues. Simon White, Operations Director with Skanska updated Members on the latest situation with the SkanWorks software which is an important element in the financial control for the contract.

Members raised issues which were responded to as follows:

- In monitoring quality, the feedback from councillors and the public is important in pinpointing problems.
- Each piece of work must be registered on the system from a pothole to a major project but most records are for small works.
- The problem with the software system is in demonstrating costs at a work-order level. They are satisfied that the high-level costs are correct.
- The base software system is used for a variety of businesses. The problem is in handling the specific provisions of the OCC contract.
- The next consideration of a contract extension will be in March 2019.

- The issue causes a delay in payments to Skanska – on average about a three-month delay. There is therefore likely to be around £9m due to Skanska at any given time.
- Officers will circulate to Members rolling data on the delayed payments.
- There is no danger of the problem causing serious financial problems for Skanska which is a global company but they are concerned about reputational damage and want to get the contract extensions.
- OCC knows the general cost of works before they are ordered but the final payments are based on actual costs.
- This type of contract is not that unusual. Many are based on scheduled rates but there are criticisms of that system too.

Members acknowledged the good work on the ground and that the SkanWorks issues were clouding this. It was agreed to receive an update again at the March 2019 meeting after the Internal Audit report.

## **17/18 UPDATE ON THE CARILLION RECOVERY & IMPROVEMENT PLAN**

(Agenda No. 6)

Alexandra Bailey summarised the report and introduced a new member of her team dealing with the Carillion recovery Varinder Raulia.

Officers responded to matters raised by Members as follows:

- The liquidators have a duty to secure the assets of Carillion. They will tell OCC how much they think we owe Carillion and we will tell them how much Carillion owes us. Officers are confident that the figure owed to OCC will be the higher one.
- The team is examining the issue of latent defects – unknown future problems that would have been Carillion's responsibility to fix. Obtaining insurance externally does not appear to be an option so they are looking at what others have done with self-insurance.
- Other Carillion clients have entered agreements with the liquidators to continue work but OCC had already agreed to exit Carillion contracts before the collapse.
- Work has been undertaken to examine the situation with subcontractors.
- The recovery team will have a broad-brush estimate of costs for the budget process at the end of the year.
- The situation for local schools is being discussed at locality meetings. The full list of projects can be recirculated to Members.
- OCC has to do the costings itself to avoid conflicts of interest.
- Some have unreasonable expectations regarding what the Council can do and officers would welcome Members' help in dealing with that.

### **RESOLVED to:**

- a) consider and comment on continuing progress in implementation of the Carillion Recovery & Improvement Plan;**
- b) note that the costs relating to rectification will be considered within the Council's annual budget cycle and processes for 2019/2020.**

## **18/18 TREASURY MANAGEMENT MID TERM REVIEW 2018/19**

(Agenda No. 7)

Tim Chapple introduced the report covering April to September 2018. He and Lorna Baxter responded to Members' questions as follows:

- OCC may be paying slightly higher interest rates than other councils but this is because all of the debt is historical whereas rates have been lower in recent years.
- The Treasury Management team takes the advice of Arlingclose on board but makes its own decisions.
- The Council is looking to increase exposure to external funds up to £100m with a balance across asset classes to limit volatility.
- The Council had not previously increased external fund balances until more certainty around the level of core cash and S106 fund. There is more confidence in that.

### **RESOLVED to:**

- a) **note the report; and**
- b) **recommend Cabinet to note the report and to RECOMMEND Cabinet to note the Council's Mid-Term Treasury Management Review 2018/19.**

## **19/18 EXTERNAL AUDITORS**

(Agenda No. 8)

Ruth Plucknett stated that there was little new to report as they were developing the audit plan which will come to the Committee at the January 2019 meeting. She confirmed that interim work has been scheduled for March 2019 before the financial year end.

## **20/18 ESTABLISHING A JOINT SUB-COMMITTEE FOR THE FIT FOR THE FUTURE PROGRAMME**

(Agenda No. 9)

The Chairman stated that the proposed Joint Committee had been approved by the Performance Scrutiny Committee at its meeting on 6 September 2018. If the Joint Sub-Committee is approved, both Chairman will discuss the membership with the Political Group Leaders. Members of the Committee should notify him if they are interested in being on the Joint Sub-Committee.

Nick Graham responded to Members' questions as follows:

- January would be a realistic date for the inaugural meeting.
- The Sub-Committee can report to either parent committee of both.
- It can make recommendations to Cabinet through the normal scrutiny procedure.
- Substitutes will be allowed.



- It was agreed that in paragraph 15 of the report, the word “distinct” should be “district”.

**RESOLVED to:**

- a) Agree to the establishment of a joint Sub-Committee of the Performance Scrutiny and Audit & Governance Committees as set out in paragraphs 18-20.**
- b) Agree to the terms of reference set out in Annex 1.**

**21/18 PARTNERSHIP ARRANGEMENTS WITH CHERWELL DISTRICT COUNCIL - JOINT COMMITTEES**

(Agenda No. 10)

Nick Graham introduced the report and stated that a Partnership Working Group was already in place examining joint working, business cases and risks. He responded to Members’ questions as follows:

- Having “dual-hatters” involved should be an advantage since they see both perspectives.
- Services will already have KPIs and bringing services together will not change the KPIs.
- The Committees will have to explore how it all works and it is expected that arrangements will evolve.
- The Joint Appeals Committee will only deal with cases of senior staff who should not have a problem meeting with a large panel.

**RESOLVED to:**

- a) agree that the proposed Joint Personnel Committee be named ‘The Joint Shared Services and Personnel Committee’;**
- b) approve the proposed terms of reference for the Joint Shared Services and Personnel Committee (as in Annex 1); and**
- c) approve the proposed terms of reference for the Joint Appeals Committee (as In Annex 1).**

**22/18 SENIOR STAFFING ARRANGEMENTS**

(Agenda No. 12)

Nick Graham introduced the report which outlined proposals to clarify which senior officers are appointed by the Remuneration Committee following the introduction of Strategic Directors.

Responding to Members’ questions, Nick Graham stated that new vacancies will continue to be advertised widely although interim appointments are often made to bridge the gap. Strategic Directors are non-statutory positions but will still be appointed by the Remunerations Committee.

**RESOLVED to**

- (a) endorse the proposed changes to appointments in paragraphs 10 and 11;**
- (b) ask Full Council to approve these changes accordingly including the necessary changes to the Pay Policy Statement; and**
- (c) agree that the Monitoring Officer make the necessary textual amendments to the Constitution to give effect to Full Council's decision.**

**23/18 QUARTERLY UPDATE: COUNTER FRAUD STRATEGY AND PLAN FOR 2018/19**

(Agenda No. 11)

Sarah Cox introduced the report and stated that it showed that the Council is serious about tackling fraud. As a public report it cannot include confidential details on cases but those can be discussed at the Audit Working Group.

Members raised issues on the report and officers responded as follows:

- Low-level cases are unlikely to go to court and are more likely to result in a repayment and caution. One case subject to a current investigation may go to court.
- With regard to whistleblowing referrals, some of these are passed to Senior Management or HR to investigate. Internal Audit's role is to oversee and monitor the outcomes.
- There are current referrals in respect of direct payments which Internal Audit are reviewing with the Directorate, this has led to a wider piece of work to ensure that identification and referral reporting routes are clear.
- The City Investigation Team is now managing the recording of referrals on the fraud log. All issues go to Internal Audit first and they triage which cases to refer to the City Council team.
- Whistleblowing is encouraged – for example through articles on the Intranet – and whistle-blowers are treated confidentially and are well supported.
- OCC does not use non-disclosure agreements.

**RESOLVED to: comment and note the progress update regarding Counter Fraud Strategy and Plan for 2018/19.**

**24/18 AUDIT WORKING GROUP REPORT**

(Agenda No. 13)

Sarah Cox summarised the report and asked the Committee if they wished to replace Councillor Ian Corkin who was on the Audit Working Group but has now stood down from the main Committee. It was suggested that the remaining three members with three substitutes were sufficient to ensure enough attendance.

It was agreed that the Chairman will discuss this with Councillor Charles Mathew after the meeting and that Councillor Jeannette Matelot is available to be a fourth substitute if required.

**RESOLVED to note the report.**

**25/18 WORK PROGRAMME**

(Agenda No. 14)

The following changes were agreed:

Additions to January 2019-

Financial Management Action Plan Update (Lorna Baxter)

Update on the Carillion Recovery Plan (Alexandra Bailey)

Review of effectiveness of internal audit (Glenn Watson)

Moved from January to March 2019-

Governance of the Housing and Growth Deal

Additions to March 2019-

Governance of Oxfordshire Local Enterprise Partnership

Highways Update (Owen Jenkins)

Section 117 Aftercare funding

Councillor Roz Smith asked that the Committee look at the partnership agreement with Oxford Direct Services at the March or May meeting.

..... in the Chair

Date of signing .....

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Oxfordshire County  
Council  
Audit planning report

Year ended 31 March 2019

9 January 2019

Private and Confidential

9 January 2019

Oxfordshire County Council  
County Hall  
New Road  
Oxford  
OX1 1ND

Dear Audit and Governance Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

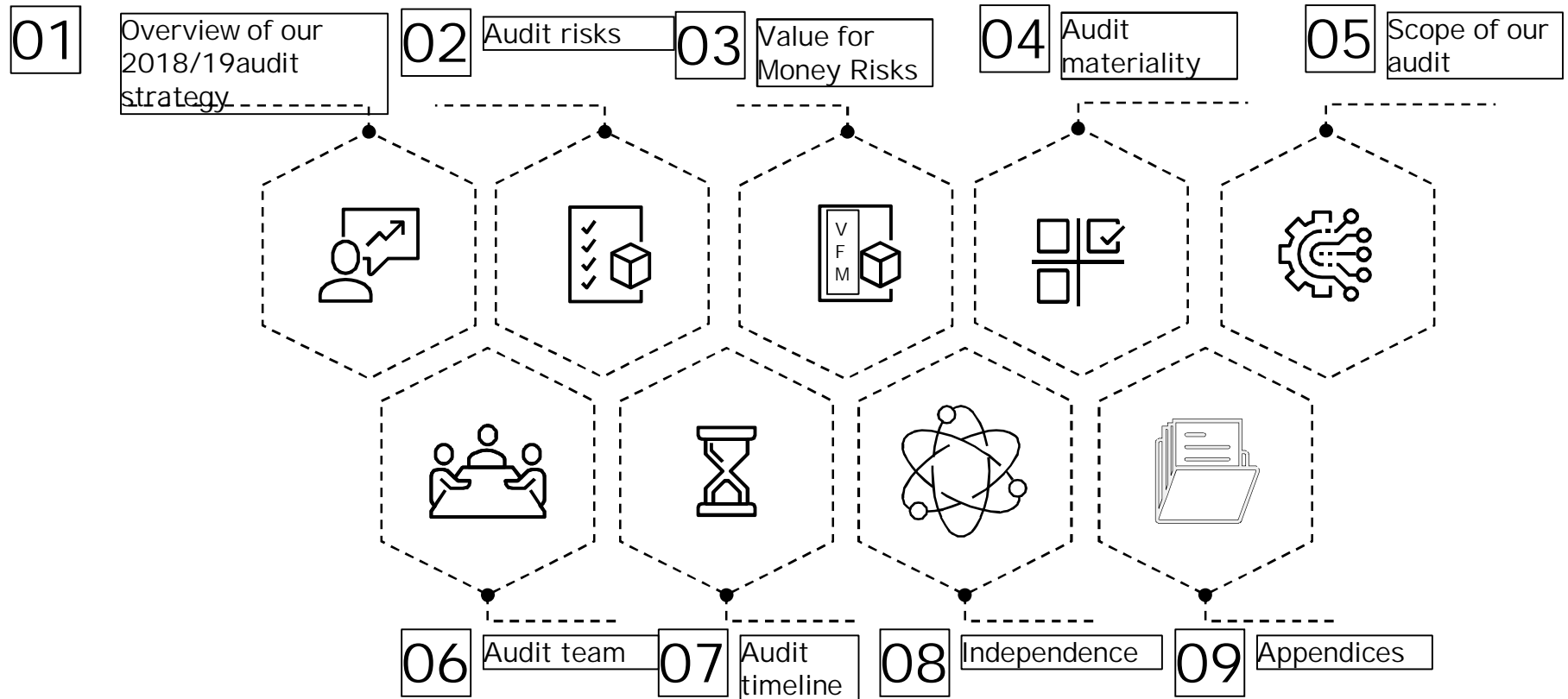
We welcome the opportunity to discuss this report with you on 9th January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King

For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Governance Committee and management of Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Oxfordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

# 01 - Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Carillion – quantification of amounts owed to /from Carillion	Fraud risk	New	We have identified that there is a risk in relation to the quantification of amounts owed to and from Carillion in relation to known and latent defects
Pension Liability Valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme which it administers. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates



# 01 - Overview of our 2018/19 audit strategy

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Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	The fair value of Property, Plant and Equipment (PPE), including land and buildings, represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet
IFRS 9 - Financial Instruments	Inherent risk	New	<p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> <li>• How financial assets are classified and measured;</li> <li>• How the impairment of financial assets are calculated; and</li> <li>• The disclosure requirements for financial assets.</li> </ul> <p>There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.</p>
IFRS 15 - Revenue from Contracts with Customers	Inherent risk	New	<p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.</p> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced</p>

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Risk / area of focus	Risk identified	Change from PY	Details
Brexit	Inherent risk	New	Consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values

## Materiality

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Planning materiality

£17.4m

Materiality has been set at £17.495 million, which represents 1.8% of the prior year gross revenue expenditure. This comprises of gross expenditure on the provision of services, levies expenditure and interest payable. In the prior year we applied a threshold of 2%, meaning that materiality was set as £19 million. We have reduced materiality in line with benchmarked industry practice.

Performance materiality

£13.1m

Performance materiality has been set at £13.121 million, which represents 75% of materiality.

Audit differences

£0.875m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £0.875 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Committee.

# 01 - Overview of our 2018/19 audit strategy

## Audit scope

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

- Our audit opinion on whether the financial statements of Oxfordshire County Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

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

## Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

\* Misstatements due to fraud or error

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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 have not identified a heightened risk of management override overall but we have identified a specific area where management override might occur which is the quantification of amounts owed to and from Carillion. Our specific response to this risk is set out in the next slide.

### What will we do?

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

## Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>* Risk of fraud in quantification of amounts owed to/from Carillion</p>	<p><b>What is the risk?</b></p>	<p><b>What will we do?</b></p>
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the quantification of amounts owed to and from Carillion could affect the income and expenditure accounts as well as debtor or creditor accounts depending on the amounts involved.</p>	<p>The County Council had a 10 year contract with Carillion running from 2012 to 2022. A significant portion of this was terminated with the mutual consent of both parties in December 2017 before Carillion's collapse in January 2018. The County Council have planned their response to this in four stages:</p> <p>Stage 1 - transition of services back to the Council from Carillion</p> <p>Stage 2 - stabilisation</p> <p>Stage 3 - assessment of Carillion legacy issues</p> <p>Stage 4 - implementation of work programme for rectification of defects</p> <p>The Council are currently at stage 3.</p> <p>There is ongoing discussion with Carillion's liquidators - PWC - relating to monies PWC claim are owed by the Council. The Council are simultaneously quantifying the costs of rectifying known defects and estimating the potential for latent defects. Given the level of estimation involved we have identified that there is a risk that the amounts owed by the Council may be understated and that the amount due to the Council may be overstated,</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Review the methodology for identifying and quantifying both the known and latent defects.</li> <li>• Assess the basis of the assessment of the amounts owed to Carillion</li> <li>• Ensure the subsequent accounting treatment is appropriate</li> </ul>

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

### What is the risk/area of focus?

### What will we do?

#### Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We will:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements,

#### Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £980 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We will:

- Liaise with the auditors of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Oxfordshire County Council;
- Assess the work of the Pension Fund actuary (Hyman Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

## 02 - Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

#### What is the risk/area of focus?

#### What will we do?

##### IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Consider the classification and valuation of financial instrument assets;
- Review new expected credit loss model impairment calculations for assets; and
- Check additional disclosure requirements.

##### IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. This will include Local Authority Trading Companies consolidated into the Authority's Group Accounts;
- Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Check additional disclosure requirements.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

### What will we do?

Brexit

We will:

There is continuing uncertainty arising from the potential impact of Brexit. Councils and other bodies should be in a position where they have assessed the possible impact and identified any areas of risk, for example, recruitment and retention, uncertainty over asset values.

- Review the Council's impact assessment and scenario planning





# 03 - Value for Money

## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 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.

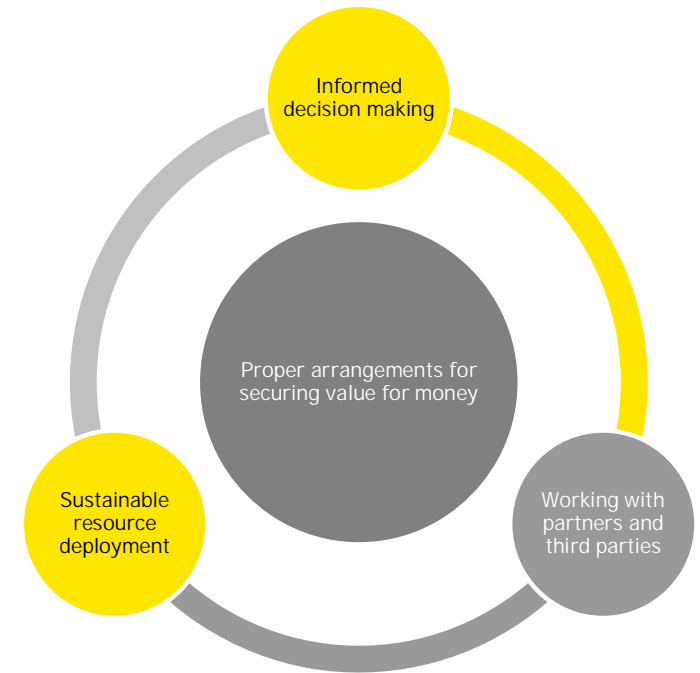
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Councils will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of no significant risks.



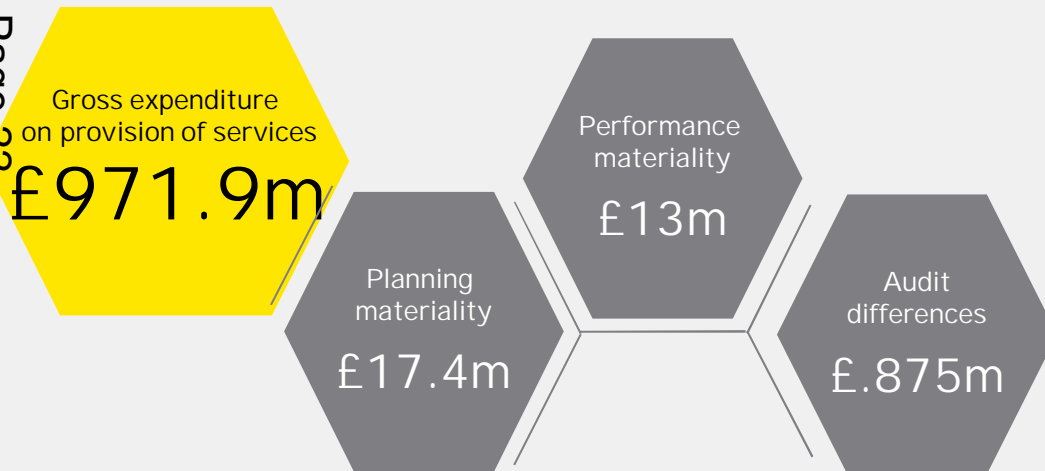
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# Materiality

## Materiality

For planning purposes, materiality for 2018/19 has been set at £17.4m. This represents 1.8% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. Although the Council is a Major Local Audit (MLA), we have considered the overall risk profile and public interest in comparison to other councils, and do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality.

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We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £13m which represents 75% of planning materiality.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee, or are important from a qualitative perspective.

**Specific materiality** – We have set a materiality of £1k for Officers remuneration including exit packages, the audit fee and related party transactions, which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

We also apply a separate materiality for the Fire Fighters Pension Fund Account. This materiality is based upon the benefits payable amount with Planning materiality being 2% of Benefits Payable at £129.8k. Performance materiality is 75% of planning materiality at £97.3k and the audit difference threshold is £6.4k.

## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

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

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

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

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to rely on controls, both manual and IT:

- Accounts payable
- Accounts receivable
- Payroll
- Cash and bank

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

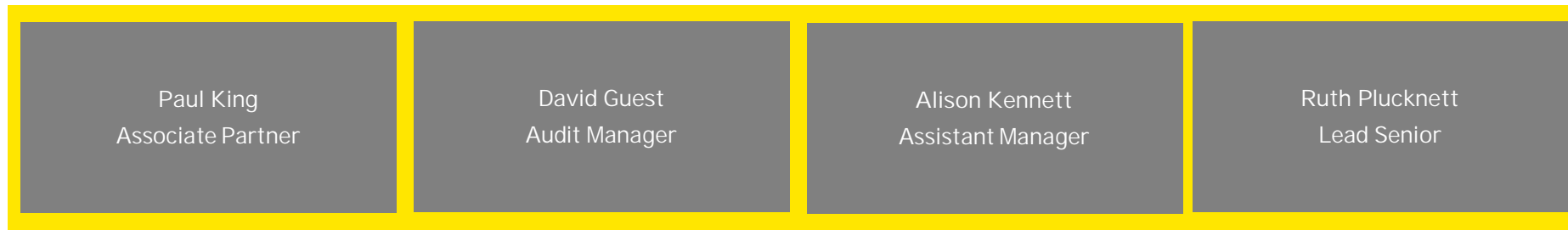
We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Governance Committee.

Internal audit:

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

## 06 - Audit team

### Audit team structure:



## Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



## 07 - Audit timeline

# Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October 2018		
Walkthrough of key systems and processes	December 2018		
	January 2019	Audit and Governance Committee	Audit Planning Report
Testing of routine processes and controls Interim audit testing	February 2019		
Interim audit testing	March 2019	Audit and Governance Committee	Interim audit update
	May 2019	Audit and Governance Committee	
Year end audit	June 2019		
Audit Completion procedures	July 2019	Audit and Governance Committee	Audit Results Report Audit opinions and completion certificates
	August - October	Audit and Governance Committee	Annual Audit Letter

## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>The overall assessment of threats and safeguards;</p> <p>Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

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

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

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

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

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

### Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees. We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 1 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the only non-audit work we undertake for the Council is the work on Teachers Pension return for a fee of £12,000. The fee amount and work required to be performed do not require any additional safeguards to be in place.

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

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



## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.  
There are no other threats at the date of this report.

### Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.  
There are no management threats at the date of this report.

### Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.  
There are no self review threats at the date of this report.

## Other communications

### EY Transparency Report 2018

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.  
Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:  
<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>

## 09 - Appendix A

### Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee - Code work	84,668	84,668	*116,398
Teachers Pensions	12,000	12,000	12,000
<b>Total audit</b>	<b>96,668</b>	<b>96,668</b>	<b>128,398</b>

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

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

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

As previously communicated in the 2017/18 Audit Results Report and Annual Audit Letter, we proposed to charge an additional fee of £6,440 for the Oxfordshire County Council audit in as a result of:


- The involvement of EY experts in revisiting the valuation of the Museum and the accounting treatment for Service Concessions (£1,294)
- Additional procedures being performed to gain assurances over the significant value for money risk (£3,039)
- Issues in obtaining appropriate analytics information for the general ledger, where the Council provided incomplete information. This resulted in the tool needing to be re-run. (£783)
- Consideration of correspondence from the public (£1,324)



These additional fees, while agreed with the Council, are currently with PSAA for review and approval.

All fees exclude VAT

# Required communications with the Audit and Governance Committee





We have detailed the communications that we must provide to the Audit and Governance Committee.

 Our Reporting to you




Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report and Audit Results Report

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## Required communications with the Audit and Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud</li> </ul>	Audit results report]
Related parties	<ul style="list-style-type: none"> <li>• Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report

# Required communications with the Audit and Governance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of</li> </ul>	Audit results report
Internal controls	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit planning report Audit results report

## Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

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### Purpose and evaluation of materiality

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

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

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

# Oxfordshire Pension Fund Audit planning report

Year ended 31 March 2019

9 January 2019

Private and Confidential  
Oxfordshire Pension Fund  
County Hall  
New Road  
Oxford  
OX1 1ND

9 January 2019

Dear Audit and Governance Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor of Oxfordshire Pension Fund. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 9 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

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



# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Governance Committee and management of Oxfordshire Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, and management of Oxfordshire Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Oxfordshire Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



## 01 - Overview of our 2018/19 audit strategy

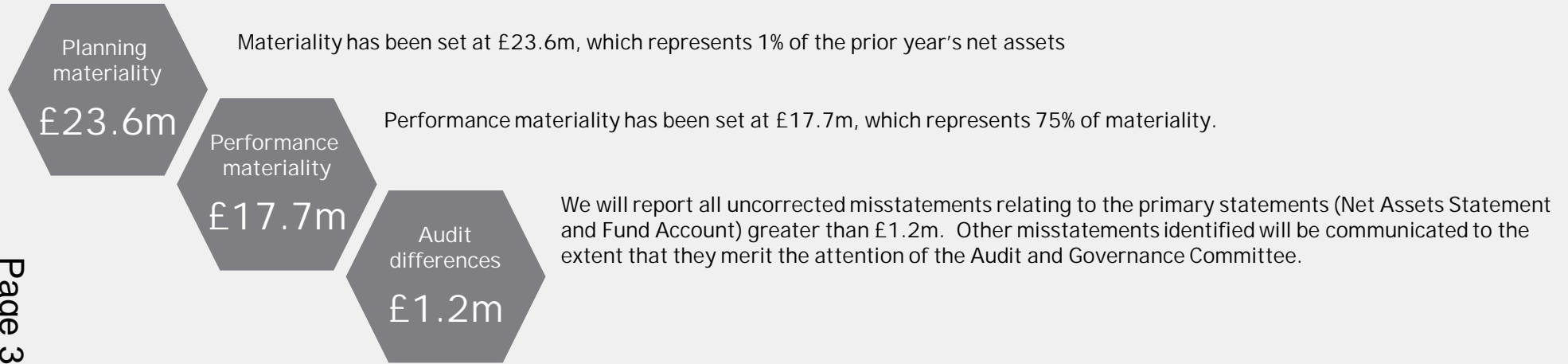
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

RISK / area of focus	RISK IDENTIFIED	Change from P.Y	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Risk of inappropriate posting of investment valuation and income	Fraud risk	More focused risk this year	Investment valuations and investment income are manually input on the GL, Our judgement is that the Fraud risk present at the Pension Fund relates to inappropriate journal posting of investments as reported by the custodian which will impact the long-term investment portfolio value and investment income.
Valuation of Complex Investments	Significant risk	No change in risk or focus	The Fund's Investments includes a significant balance of level 3 investments such as unquoted pooled investment vehicles and direct property investments. Judgements are taken by Investment Managers to value those investments whose prices are not publically available.  There is a risk that these are materially misstated given the complexity of the measurement and degree of estimation involved.
Valuation of Investments under Level 2 Fair Value hierarchy	Inherent risk	No change in risk or focus	The valuation of investments under level 2 fair value hierarchy are based on observable inputs such as bid price in the market for similar instruments.  There is a risk that the comparable input are not appropriate and valuation could be misstated.
Transfer of Asset to the Brunel Partnership	Inherent risk	New risk	Brunel Pension Partnership was set up by Oxfordshire Pension Fund with nine other pension funds to oversee investment of pension fund assets and achieve savings over the longer term. In 2018/19, Oxfordshire Pension Fund anticipates transferring £858m of passive and UK equities to the pooled fund.  There is a risk that the transfer of assets is not complete or that the rights an obligation linked with those assets have changed.
New Accounting Standards	Inherent risk	New risk	IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) applies from 1 April 2018. We will assess the impact of these new standards to determine whether they have been appropriately implemented by the Pension Fund

# 01 - Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Materiality



# 01 - Overview of our 2018/19 audit strategy

## Audit scope

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

- Our audit opinion on whether the financial statements of Oxfordshire Pension Fund give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended;

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

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

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

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

In addition to the above we also perform procedures on behalf of the auditors of admitted bodies in relation to the IAS 19 reports. Our work specifically focuses on gaining assurance that the data submitted to the actuary agrees to the Pension Fund's systems. This tried and tested approach - we have been performing these procedures since 2012 - minimises disruption to the Pension Fund as only one set of auditors will perform procedures on the data.



# Our response to significant risks (continued)

Misstatements due to fraud or error

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

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

### What will we do?

- Identify fraud risks during the planning stages.
- Ask management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.



## 02 - Audit risks

# Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p data-bbox="118 443 524 502">Risk of inappropriate posting of investment valuation and income</p> <p data-bbox="100 699 138 869">Page 42</p> <p data-bbox="100 788 544 831"><b>Financial statement impact</b></p> <p data-bbox="100 842 510 1002">Manipulation of investment would increase the net value of pension fund assets, and increase the investment income recognised in year.</p> <p data-bbox="100 1034 488 1098">Total Investments for 2017/18: £2,242m</p> <p data-bbox="100 1129 479 1225">Total investment income of the Fund in 2017/18: £75.2m</p> <p data-bbox="100 1257 510 1444">As our performance materiality is £17.7m, any manipulation over 0.8% and 23% would result in a material error to the value of investments and investment income, respectively.</p>	<p data-bbox="577 459 1189 587">Investment valuations and investment income are manually input on the GL, therefore there is opportunity to manipulate the valuation of investments and the resulting investment income.</p>	<p data-bbox="1272 459 1599 491">Our approach will focus on:</p> <ul data-bbox="1272 531 2078 767" style="list-style-type: none"> <li>▶ We will reconcile the investment value to both the fund manager and custodian reports.</li> <li>▶ Review the investment accounts in the general ledger and investigate any unusual items</li> <li>▶ Journal testing - we will use our testing of Journals to identify high risk transactions, such as items posted to investment income outside the normal process.</li> </ul>



## 02 - Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

### Valuation of Complex Investments

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#### Financial statement impact

Misstatements that occur in relation to Complex Investments valued at level 3 fair value hierarchy such as Unquoted Equities and Direct property Investment could affect the valuation of the Net Assets Statement and investment income in the Fund Accounts.

These were £111m level 3 investments in the 2017/18 financial statements.

#### What is the risk?

The Fund's Investments include a significant balance of level 3 investments such as unquoted pooled investment vehicles and direct property investments. Judgements are taken by Investment Managers to value those investments whose prices are not publicly available.

Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. There is also a continued general economic uncertainty around Brexit which could also affect this judgement.

#### What will we do?

Our approach will focus on:

- reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- Assessing the competence of management experts; and
- Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.
- Where necessary, our internal valuation specialists will support our work in this area.

## 02 - Audit risks

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

#### What is the risk/area of focus?

#### What will we do?

##### Transfer of Asset to the Brunel Partnership

Brunel Pension Partnership was set up by Oxfordshire Pension Fund and nine other pensions funds to oversee investment of pension fund assets and achieve savings over the longer term.

2018/19 will be the first financial year where assets are being transferred in exchange for units in the pooled fund.

There is a risk that the transfer of assets is not complete or that the rights and obligations associated with those assets have changed.

Our approach will focus on:

- Reviewing the arrangements the Pension Fund has over the transition.
- Reviewing reconciliations and post-transition reports from third parties to obtain assurance over the completeness of the transfer
- Reviewing the valuation of each individual asset and investigating any differences.

Where necessary we will consult our EY internal specialists from EY FAAS.

##### Valuation of Investments under Level 2 Fair Value hierarchy

Level 2 includes pooled funds and private equity investments, where fair value is based on observable inputs such as bid price in the market for similar instruments.

There is a risk that the comparable input are not appropriate and valuation could be misstated.

Our approach will focus on:

- Performing analytical procedures and checking the valuation input and output for reasonableness against our own expectations.
- Where necessary, our internal valuation specialists will support our work in this area.

##### Application of New IFRS standards

This 2018/19 edition of the Code introduces two substantial new financial reporting standards IFRS 9 and IFRS 15.

There is a risk that these new standards have not been appropriately implemented by the Pension Fund.

Our Approach will focus on:

- Review management assessment for the classification and measurement of financial assets under IFRS 9, including review of the new expected credit loss impairment model and new disclosure requirements
- Review management assessment on the impact on revenue recognition, if any, as a result of the adoption of IFRS 15 - Revenue from Contracts with Service Recipient



# Materiality

## Materiality

For planning purposes, materiality for 2018/19 has been set at £23.6m. This represents 1% of the Pension Fund's prior year net assets. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

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We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £17.7m which represents 75% of planning materiality. 75% of Planning materiality was deemed appropriate as there were no corrected or uncorrected audit adjustments in the prior year, and was based on our cumulative audit knowledge and experience with the Pension Fund.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to Net Assets Statement and the Fund Account.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee, or are important from a qualitative perspective.



## 04 - Scope of our audit

# Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

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

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

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

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement



## 04 - Scope of our audit

# Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded that this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

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

## Audit team

Audit team structure:

Paul King  
Lead Audit Partner

Susan Gill  
Audit Manager

Maria Davison  
Audit Senior

The engagement team is led by Paul King, who has significant experience on Local Authorities and their audits. Paul is supported by Susan Gill who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

## Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Actuarial present value of retirement benefits	EY Pensions Advisory PwC (Consulting Actuary to the PSAA)
Investment Valuation	EY FAAS

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



# 06 - Audit timeline

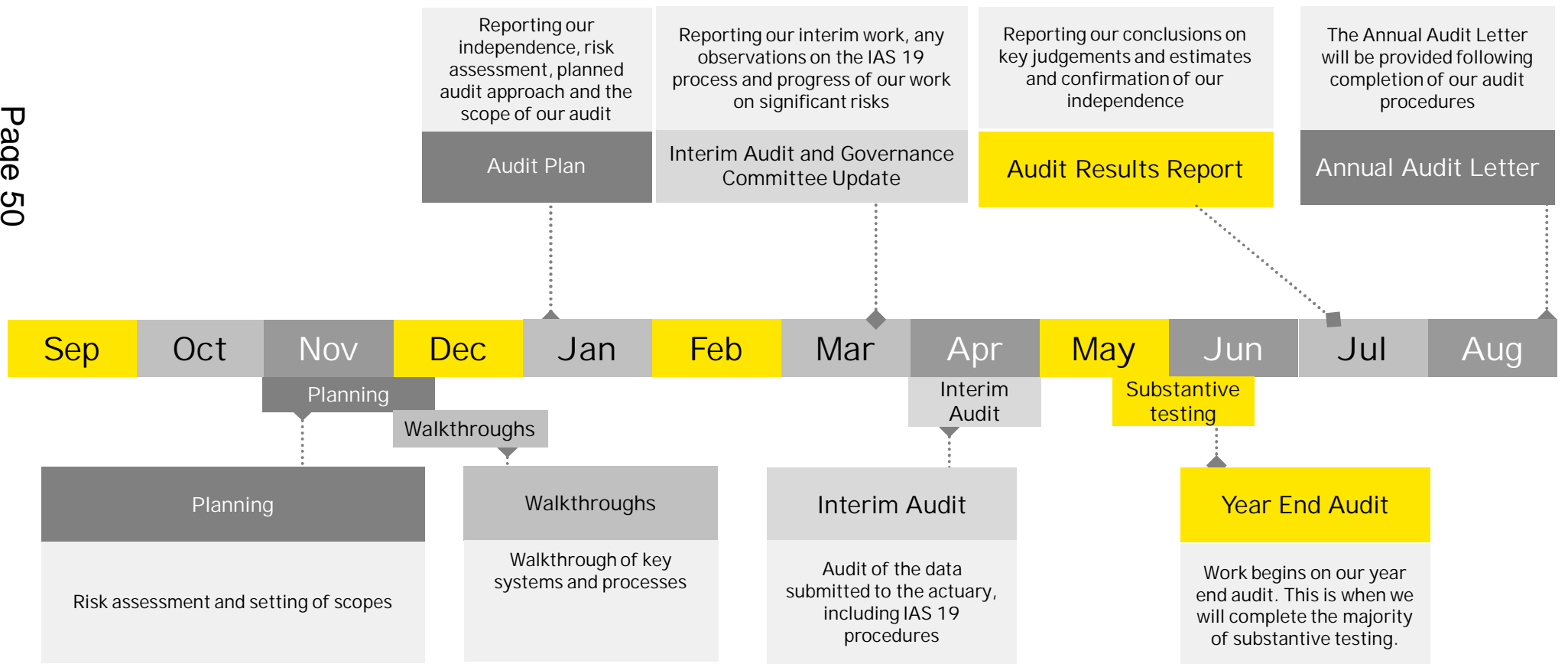
## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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## Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

### Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>The overall assessment of threats and safeguards;</p> <p>Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

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

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

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

## Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

### Overall Assessment

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

### Self interest threats

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

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately nil. No additional safeguards are required.

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

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

### Self review threats

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

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



## Relationships, services and related threats and safeguards

### Management threats

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

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

### Other threats

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

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

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## Other communications

### EY Transparency Report 2018

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>

## Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee - Code work	18,563	18,563	24,108**
Fee for IAS 19 work	5,500*	N/A*	5,500^
<b>Total audit</b>	<b>24,063</b>	<b>18,563*</b>	<b>29,608</b>

All fees exclude VAT

### Notes

\* The Authority has agreed the IAS19 fee for 2017/18 (which is where information is provided to the auditors of admitted bodies who request it as part of the process for their audit). This amount is not included in the scale fee set by PSAA as it is not part of Code work for the audit of the Pension Fund. The work required will be the same in 2018/19.

\*\* A formal objection was also made by a local elector to the financial statements of the Pension Fund for 2016/17. We are in the process of deciding this objection: the fee resulting from this work has therefore not yet been finalised.

The agreed fee presented is based on the following assumptions:


- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund; and
- ▶ The Pension Fund has an effective control environment.




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

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

# Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the Audit and Governance Committee.

 Our Reporting to you



Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report

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## Required communications with the Audit and Governance Committee (continued)



Our Reporting to you

Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report
Fraud	<ul style="list-style-type: none"> <li>• Asking the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud</li> </ul>	Audit results report
Related parties	<ul style="list-style-type: none"> <li>• Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report

# Required communications with the Audit and Governance Committee (continued)

Required communications	 What is reported?	  When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Planning Report and Audit Results Report
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>• Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of</li> </ul>	Audit results report
Internal controls	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit</li> </ul>	Management letter/Audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>• Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report
Fee Reporting	<ul style="list-style-type: none"> <li>• Breakdown of fee information when the audit plan is agreed</li> <li>• Breakdown of fee information at the completion of the audit</li> <li>• Any non-audit work</li> </ul>	Audit Planning Report and Audit Results Report



# Additional audit information

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

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### Purpose and evaluation of materiality

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

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

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

Division(s): N/A
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## **AUDIT & GOVERNANCE COMMITTEE – 9 JANUARY 2019**

### **INTERNAL AUDIT 2018/19 PROGRESS REPORT**

**Report by the Director of Finance**

#### **EXECUTIVE SUMMARY**

1. This report provides an update on the Internal Audit Service, including resources, completed and planned audits. A separate update is made on counter-fraud activity, which will be reported to the March Audit & Governance Committee.
2. The recent recruitment activity within Internal Audit was unsuccessful and an update on the recruitment strategy will be made at the meeting. With a combination of the current bought in resources and some audits needing to be deferred to the 19/20 plan (as more appropriate timing for those audits to be completed), the remaining plan is on track for delivery.
3. The report includes the Executive Summaries from the individual Internal Audit reports finalised since the last report to the September Committee. Two of these reports have been graded Red. The first is Health & Safety, the full report was considered by the October Audit Working Group and officers have been invited back to the February Audit Working Group meeting to provide an update on the implementation of actions. The second, is the Audit of Contingency Care, this will also be considered at the February Audit Working Group meeting when officers will attend.

#### **RECOMMENDATION**

**The Committee is RECOMMENDED to note the progress with the 18/19 Internal Audit Plan and the outcome of the completed audits.**

**PROGRESS REPORT:**

**RESOURCES**

4. As reported to the A&G Committee in November, the two Principal Auditors have been re-designated as Audit Managers, with one also taking on the management of the counter-fraud activity.
5. The Senior Auditor post was advertised and interviews undertaken however no appointment was made. An update will be made to the meeting regarding Internal Audit recruitment strategy going forward.
6. The two auditors continue with professional studies, as well as the Audit Manager, all are on track to complete their professional exams by Summer 2019 when they will have achieved the Chartered Internal Audit qualification.

**2017/18 INTERNAL AUDIT PLAN - PROGRESS REPORT**

7. The 2018/19 Internal Audit Plan, which was agreed at the April Audit & Governance Committee, is attached as Appendix 1 to this report. This shows current progress with each audit.
8. There have been 9 amendments to the plan for 2018/19, 2 additions to the plan and 7 audits that have been deferred until 2019/20. These are also recorded in Appendix 1. The plan and plan progress will be reviewed again with the individual directorate leadership teams during January and February.
9. There have been 7 audits concluded since the last update (provided to the September meeting of the Audit and Governance Committee); summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

<b>Directorate</b>	<b>2018/19 Audits</b>	<b>Opinion</b>
Corporate / Cross Cutting	GDPR	Amber
Communities	Income	Amber
Corporate / Cross Cutting	Health & Safety	Red
People Children's –	Thriving Families – September Claim	n/a
People Children's –	Early Years Census	Amber



People Children's	–	Children's IT System Implementation Review 2018/19	Amber
People Adults	–	Contingency Care	Red

The following grants were reviewed and signed off by Internal Audit at the end of September 2018:

- Disabled Facilities Grant (DFG)
- National Productivity Investment Fund Grant (NPIF)
- Highways Maintenance Challenge Fund Grant (HMCF)
- Integrated Transport (IT) and Highways Maintenance (HM) Block Grant
- Safer Roads Fund Grant
- Pot Hole Action Fund (PAF) Grant
- Flood Resilience Fund Grant
- Bus Subsidy Revenue Grant

**PERFORMANCE**

10. The following performance indicators are monitored on a monthly basis.

Performance Measure	Target	% Performance Achieved for 17/18 audits (as at Dec 18)	Comments
Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	75%	Previously reported year-end figures: 2017/18 80% 2016/17 60% 2015/16 58%
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	75%	Previously reported year-end figures: 2017/18 95%

			2016/17 94% 2015/16 96%
Elapsed Time between issue of Draft report and issue of Final Report.	15 days	68%	Previously reported year-end figures: 2017/18 92% 2016/17 75% 2015/16 48%

The other performance indicators are:

- % of 2018/19 planned audit activity completed by 30 April 2019 - reported at year end.
- % of management actions implemented (as at 5/12/18) - 70%.  
Of the remaining there are 19% of actions that are overdue and 11% of actions not yet due.

(At September 2018 A& G Committee the figures reported were 60% implemented, 17% overdue and 23% not yet due)

- Extended Management Team satisfaction with internal audit work - reported at year end.

**COUNTER-FRAUD**

11. The 2018/19 Counter-Fraud Plan progress update was presented to the November 2018 Audit & Governance Committee, the next update will be reported to the March 2019 Audit and Governance Committee.

Sarah Cox  
Chief Internal Auditor

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

**APPENDIX 1 - 2018/19 INTERNAL AUDIT PLAN - PROGRESS REPORT**

Audit	Planned Qtr start	Status – as at 19/12/18	Conclusion
<b>People:</b>			
People: Financial Management	Q1/Q2	CIPFA Self- Assessment review complete Small number of FM audits at establishment/ service level been undertaken	FM action plan produced
People: Contract Management - Supplier Resilience	Q2	Fieldwork	
Adults: Payments to Providers (Home Support and Residential)	Q1	Final Report	Amber
Adults: Waiting List	Q1/Q2	Exit Meeting	
Adults: Client Charging (including ASC debt)	Q3/Q4	Fieldwork	
Adults – Contract Management – Reablement – Contingency	Q1/Q2	Draft Report	Red
Adults – Implementation of pre-paid cards for direct payments	Q4	Scoping	
Children – Implementation of IT system	Q2-Q4	Final Report	Amber
Children: Retention, including training and development	Q2	Fieldwork	
Children: Foster Payments	Q4	*Deferred to 19/20 plan	n/a
Children: Children’s Social Care Payments	Q4	*Deferred to 19/20 plan	n/a
Children: Thriving Families	Q2/Q4	Sept claim – complete March claim – Q4	n/a
Children: Thames Valley Adoption Service	Q3/Q4	Scoping	
Children: EDT (Emergency Duty Team)	Q1	Final Report	Green
Children: Care Placements	Q3/Q4	Scoping	
Children: Census Team	Q1/Q2	Final Report	Amber
<b>Communities</b>			

## AU7

Communities: Financial Management	Q1/Q2	CIPFA Self- Assessment review complete Small number of FM audits at establishment/ service level been undertaken	FM action plan produced
Communities: Financial Management – Income	Q1	Final Report	Amber
Communities: Security Bonds reconciliation	Q3	*Addition to plan 1st stage - Complete	n/a
Communities: Highways Contract Payments	Q2/Q3	Scoping	
Communities: Waste - Contract Management	Q3	Fieldwork	
Communities: S106	Q4	Fieldwork	
Communities: Property - Facilities Management	Q3/Q4	Scoping	
Communities: Broadband Project	Q3	*Addition to plan Fieldwork	
<b>Communities / Resources:</b>			
Communities / Resources: Capital Programme – Governance and Delivery	Q3	Fieldwork	
Communities / Resources: Oxfordshire Housing and Growth Deal – Accountable body	Q4	*Deferred to 19/20 plan	n/a
<b>Resources:</b>			
Resources: Financial Management	Q1/Q2	CIPFA Self- Assessment review complete Small number of FM audits at establishment/ service level been undertaken	FM action plan produced
Finance - Pensions Administration	Q3	Fieldwork	
Finance - Purchasing / Procurement (covering pre-paid cards – see adults above)	-	-	-
Finance - Payroll	Q4	Scoping	

Finance - Accounts Receivable	Q4	Scoping	
Finance - Treasury Management	Q3	Fieldwork	
ICT – Back-up and Recovery	Q3	*Deferred to 19/20 plan	n/a
ICT - IT Incident Management	Q3	*Deferred to 19/20 plan	n/a
ICT - Data Centre Refresh	Q3	*Deferred to 19/20 plan	n/a
ICT - Network Management	Q1	Final Report	Green
ICT - Internet and Email Access (Cyber Security)	Q4	Scoping	
<b><i>Corporate / Cross Cutting – Governance:</i></b>			
Fit for the Future – governance arrangements	Q1	Final Report	Amber
Fit for the Future – new Target Operating Model	Q3 onwards	*Deferred to 19/20 plan	n/a
GDPR – General Data Protection Regulation	Q1/Q2	Final Report	Amber
Health & Safety	Q1	Final Report	Red
Business Continuity	Q2	Draft Report	
<b><i>Grants:</i></b>			
Grant Certification	Q1-Q4	8 now complete	n/a

**Amendments to 2018/19 plan:**

Directorate	Audit	Status
Communities / Resources	<p><b>Deferred to 19/20: Oxfordshire Housing and Growth Deal – Accountable body</b> This audit will look to provide assurance that Oxfordshire County Council has robust processes in place to deliver its role as the accountable body.</p>	Agreed with Lorna Baxter to defer this audit until early 2019/20 Internal Audit Plan. The Audit & Governance Committee will be provided with a briefing on Growth Deal governance arrangements at the March 2019 meeting.
Communities / Resources	<p><b>Addition to Plan: Security Bonds Reconciliation</b> Following the audit of Security Bonds 2017/18, graded red, there was some uncertainty over the total value of cash bonds held and a lack of assurance as to whether they were properly accounted for. A full reconciliation was therefore required to confirm what cash bonds the Council should have and where this cash is held. Internal Audit have been asked to verify the reconciliation process.</p>	Complete
Communities	<p><b>Addition to Plan: Broadband Project</b> At the request of the Director for Planning and Place, the audit will review the governance arrangements in place for delivery of this project.</p>	Fieldwork
Resources – ICT	<p><b>Deferred to 19/20: ICT – Back-up and Recovery</b> 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.</p>	<p>Agreed to defer this audit until 19/20:</p> <p>Internal Audit reviewed the arrangements for back-up and recovery in February 2017 which identified that the current system for back-up had been out of support for a number of years and was causing operational issues. The audit also reported that there was no formal corporate policy on ICT backup, procedure documents were out of date and recovery testing not performed. At</p>

Directorate	Audit	Status
		<p>the time, Internal Audit were informed that management action was planned to address these weaknesses which was going to involve buying back-up and recovery services from a public sector shared service provider. It was therefore agreed that Internal Audit would undertake a full audit of the new arrangements during 2018/19. However, the planned procurement did not go ahead and therefore there has been no change in the arrangements since Internal Audit last reviewed this. The agreed actions remain outstanding.</p> <p>Management recognise the risk exposure of running the existing system and there is now a project being initiated to identify and procure a back-up solution going forward. It has therefore been agreed that the audit will be deferred until the 2019/20 plan. It is anticipated that the new arrangements will be in place from July 2019. It is anticipated that the backup-solution will form part of the Datacentre future project.</p>
Resources – ICT	<p><b>Deferred to 19/20: ICT - IT Incident Management</b> 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.</p>	It has been agreed to defer this audit until 19/20 when the project, now approved by FFF, will be implemented.
Resources ICT	<p><b>Deferred to 19/20: ICT - Data Centre Refresh</b></p>	It has now been agreed to defer this audit until 19/20 when the project will be implemented.

Directorate	Audit	Status
	There is a planned review of the strategy to refresh ICT infrastructure.	
Corporate / Cross Cutting / Governance	<p><b>Deferred to 19/20: Fit for the Future – new Target Operating Model</b></p> <p>In implementing a new operating model for the Council, assurance will be required that effective governance, risk management and control arrangements are designed and implemented.</p>	<p>Agreed with Lorna Baxter to defer internal audit work until 19/20.</p> <p>Audit &amp; Governance Committee to continue to receive regular briefings.</p>
People: Children	<p><b>Deferred to 19/20: Foster Payments</b></p> <p>The audit will follow up on the audit completed during 2017/18 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 include the accuracy, validity, timeliness and authorisation for both payments to internal and external foster placements.</p>	<p>The new Children’s IT system implementation has been deferred until March 2019. The audit has been deferred until 19/20 audit plan and will be undertaken following go live.</p>
People: Children	<p><b>Deferred to 19/20: Children’s Social Care Payments</b></p> <p>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.</p>	<p>The new Children’s IT system implementation has been deferred until March 2019. The audit has been deferred until 19/20 audit plan and will be undertaken following go live.</p>



**APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS**

**GDPR 2018/19 – (General Data Protection Regulation Review)**

<b>Overall conclusion on the system of internal control being maintained</b>	<b>A</b>
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Corporate Policy	<b>G</b>	<b>0</b>	<b>1</b>
Governance Structure	<b>A</b>	<b>0</b>	<b>3</b>
Information Audit	<b>A</b>	<b>0</b>	<b>4</b>
Privacy Notices	<b>A</b>	<b>0</b>	<b>2</b>
Data Subject Rights	<b>A</b>	<b>0</b>	<b>2</b>
Data Breaches	<b>G</b>	<b>0</b>	<b>0</b>
Privacy by Design	<b>G</b>	<b>0</b>	<b>0</b>
		<b>0</b>	<b>12</b>

Opinion: Amber	Final Report: 10 September 2018	
Total: 12	Priority 1 = 0	Priority 2 = 12
Current Status:		
Implemented	5	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	7	

There is a documented Data Protection Policy that was reviewed and updated in June 2018 for GDPR and the Data Protection Act 2018. A data retention schedule is also documented, however, there is no assurance that data in service areas is being held in accordance with its defined retention period and this presents a GDPR compliance risk. The Council has a valid registration with the Information Commissioner’s Office which expires on 15 November 2018.

The County Leadership Team have been made aware of the changes to data protection laws and the work being carried out to ensure compliance with the new GDPR requirements. Various other workshops have also been held at a manager level and there is a continual awareness and update programme

across the organisation. All staff are required to undertake mandatory training on data protection and those that have not completed it are being followed up and will shortly be informed that their user accounts will be disabled if they don't complete the training within a stipulated timeframe.

The Director of Law and Governance is the designated Data Protection Officer (DPO) as required under Article 37 of GDPR. However, the Director's job description does not define specific responsibilities attributed to the DPO under Article 39, and in practice many of the responsibilities are performed by the Information Management team. On this basis, the assignment of the DPO role should be reviewed.

Members of the Information Management team received data protection training in 2015 but have not received any update training on GDPR. This should be arranged to ensure they have the skills to support the organisation with its ongoing compliance programme. There are no defined data protection responsibilities within service areas and hence a risk that corporate policies and requirements are not being adhered to a local level. Maintained schools are deemed to be their own data controllers and hence responsible for GDPR compliance. The Information Management team have provided them with briefings and awareness sessions and are developing plans to offer formal advice and support from September 2018.

An information audit has been undertaken to identify all processing of personal data across the organisation but further work is required to validate it and ensure that all service areas have been covered. The work to identify all data processors and ensure agreements are in place remains ongoing; around 80 processors have been identified so far. The standard supplier contract has been revised with new clauses that cover the new GDPR requirements but we found that the amendments being made to existing contracts are not using the same clauses and hence some required areas have been omitted. Whilst the Council can rely on the 'public task' basis for most of their processing, this should be confirmed and documented as part of the information audits. The way in which consent is being recorded is inadequate and existing consents have not been reviewed by service areas. Marketing have reviewed their activities for GDPR compliance and ensure that explicit consent is sought.

Privacy notices need to be improved to ensure the individual's right to be informed about the use of their data is respected. A revised privacy notice has been added to the corporate website but it is generic and hence does not cover the specific processing of personal data within service areas. Furthermore, testing has identified that a number of data collection forms in Adult's and Children's have no privacy notice or are still using old notices that refer to the Data Protection Act 1998.

The process for dealing with individual right's, including subject access, are documented but have yet to be formally approved. All individual rights requests are received and validated by the Information Management team before being forwarded to service areas for actioning. The Information Management team monitor requests to ensure they are actioned within one month, with the exception of requests involving social care and SENS which are dealt with by a local team. The audit found that the completion of these requests were not reported back to Information Management and hence there was no assurance

that they were being actioned within the required timescales. However, from 3<sup>rd</sup> September the processing of all individual rights requests has been centralised with the Information Management team and they are reviewing the processes for dealing with all such requests.

There is a documented Information Security Incident Policy, which covers the handling of data breaches. Further information is available on the Intranet where there are examples of security incidents and those that are classed as a data breach. A log of all security incidents is maintained and includes details of the actions taken and lessons learnt. Relevant incidents are reported to the Information Commissioner’s Office (ICO) in accordance with GDPR requirements.

Privacy by design is ensured through Data Protection Impact Assessments (DPIA’s) which form part of the existing Information Management Risk Assessment (IMRA) process. The DPIA’s are based on guidance issued by the ICO and have to be submitted to the Information Management team for review and sign-off. The template Project Initiation Document used by the Programme Management Office identifies the need for an IMRA and DPIA within section 6 on risk and issue management, ensuring they are considered as part of each new project.

**Communities Income 2018/19**

<b>Overall conclusion on the system of internal control being maintained</b>	<b>A</b>
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
<b>A: Policies and Procedures</b>	<b>A</b>	<b>0</b>	<b>1</b>
<b>B: Charging of Income</b>	<b>G</b>	<b>0</b>	<b>0</b>
<b>C: Income Collection and Recording</b>	<b>A</b>	<b>0</b>	<b>2</b>
<b>D: Fraud &amp; Error</b>	<b>A*</b>	<b>0</b>	<b>0</b>
<b>E: Monitoring</b>	<b>G</b>	<b>0</b>	<b>0</b>
		<b>0</b>	<b>3</b>

*\*Management actions agreed under risk area C and E.*

Opinion: Amber	Final Report: 18 October 2018	
Total: 3	Priority 1 = 0	Priority 2 = 3
Current Status:		
Implemented	1	
Due not yet actioned	2	
Partially complete	0	
Not yet Due	0	

A: Policies and Procedures

Guidance available to staff on how to collect income (how to raise invoices, collect and bank cash / cheques, and managing bank transfers) is clear, up to date and accessible, however it does not specifically cover when an invoice is required, over other methods of collection. As identified below, audit testing found inconsistencies in when invoices are raised, both across teams and within teams, indicating staff are unclear on when an invoice is needed.

B: Charging of Income

Income charged across the sample of 10 teams within the Communities Directorate appeared in line with the fees & charges approved annually by Cabinet, and charges had been raised promptly in the majority of cases. Coding all appeared appropriate for the sample of transactions reviewed.

C: Income Collection and Recording

Inconsistencies in the method used to raise charges were identified both across and within teams. While in some cases different methods makes practical sense, in other teams, customers are given the option of being invoiced or not. This varying approach to charging could result in income not being charged, or unpaid charges not being escalated appropriately (however the audit did not identify any examples of this from sample testing).

Consideration of future arrangements around digitalisation and how to make processes more efficient could be seen across some areas reviewed (for example implementing online payments for customers) and other high-volume areas are being reviewed under Fit for the Future projects. However, this is happening on a team-by-team basis rather than corporately. The implementation of the new target operating model could provide a Council-wide strategy to offer streamlined and efficient ways for teams to collect income.

D: Fraud & Error

Across the teams reviewed, sufficient processes were in place on receipt of income to minimise the risk of fraud and error, ensuring the segregation of duties between those charging, collecting, and banking income. However, issues were identified within one team with time taken to bank cheques, meaning in some cases cheques were held in the office for up to 3 months before being taken to the bank. Also noted in the audit, the inconsistency in invoicing practices also increases the risk of fraud and error, as without transparent invoicing processes, expected income may not be received and banked to the Council as it should.

E: Monitoring

All cost centre managers responsible for the 10 teams sampled reported carrying out monthly budget monitoring at a high level, reviewing income and expenditure, with staff within the teams carrying out more detailed checks to confirm all income has been correctly received and coded. This is in line with corporate guidance, which states all cost centre managers should ensure a monthly reconciliation is conducted of all expected income to the SAP financial ledger for the cost centres they are responsible for.

Health & Safety 2018/19

<b>Overall conclusion on the system of internal control being maintained</b>	<b>R</b>
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
<b>A: Governance, Roles &amp; Responsibilities</b>	<b>R</b>	<b>7</b>	<b>10</b>
<b>B: Risk Identification &amp; Management</b>	<b>A</b>	<b>1</b>	<b>5</b>
<b>C: Management Information &amp; Communication</b>	<b>R</b>	<b>3</b>	<b>1</b>
		<b>11</b>	<b>16</b>

Opinion: Red	Final Report: 09 October 2018	
Total: 27	Priority 1 = 11	Priority 2 = 16
Current Status:		
Implemented	13	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	14	

*This audit has not looked at areas being covered as part of the Statutory Compliance Review or review of Carillion build legacy issues currently being completed within the Communities Directorate. Prior to the collapse of Carillion, it was identified that there was a lack of assurance regarding health & safety compliance across our corporate estate. Since the transfer of property management responsibilities previously under Carillion, it is now a priority to assess compliance and take action where required.*

From review of the implementation of management actions agreed as a result of the last Internal Audit of Health & Safety undertaken in 2012/13, it was found that of 14 management actions agreed, 11 have not been fully implemented or are not working effectively (4x Priority 1 actions and 3x Priority 2 actions), 1 action is no longer applicable (Priority 1) and 2 have been confirmed as effectively implemented (1x Priority 1 and 1x Priority 2). This audit has identified a repeat of issues identified in the previous audit in relation to roles and responsibilities, weak governance arrangements (especially in relation to the H&S Governance Group), risk management and completion of mandatory training.

#### Overall Conclusion is Red

**Governance Structure** - The audit has identified a weak governance structure which does not currently provide appropriate strategic assurance over the management of health and safety arrangements across the Council. Although there are Part 1, 2 and 3 documents in place which set out the Council's strategy, approach to health & safety and roles and responsibilities from Chief Executive level downwards, these do not fully reflect current arrangements, there are also insufficient reporting mechanisms in place to provide assurance that arrangements in place are in accordance with this. The Corporate Health & Safety Framework document, produced following the previous audit to ensure that governance arrangements were clearly defined and communicated, is out of date and includes a number of key controls and processes which are no longer in place. These changes to key controls and processes would have been expected to have been formally agreed by CLT / Senior Management, but were not.

**Health & Safety Governance Group** - The Health & Safety Governance Group was formed in response to the control weaknesses identified during the last Internal Audit of Health & Safety in 2012/13. It was agreed that this group should include appropriate membership from across the Council and at an appropriate level of seniority to enable this group to act effectively in overseeing the governance of health & safety arrangements across the Council. However, it has been noted that the group formed following the previous audit stopped meeting in October 2016. A new group has now been created, but does not have representation from across all the necessary parts of the Council. The only core members are the Corporate Health & Safety Team and the Schools Health & Safety Manager. Property / Facilities Management and Fire & Rescue who have significant responsibilities and / or experience of health and safety at the Council are not part of the documented core membership and there is no representation from directorates other than the school's health and safety manager. Although the Corporate Lead for

Health & Safety is listed as a core member of the group, it was reported that he is not expected to attend.

**Corporate Lead Statement** - A number of issues were noted in relation to the accuracy of the 2017/18 Corporate Lead Statement on health and safety which feeds into the Council's Annual Governance Statement. Reference is made to controls which are no longer in place, for example H&S Governance group reporting to CLT, reference is made to updates and reporting to directorates on health & safety issues, accidents and incidents, but this is not taking place consistently. The Statement of Opinion highlights one significant matter in relation to assurance, covering property compliance, control weaknesses that have been identified as part of this audit (for example weak governance arrangements and failure of staff to complete mandatory health & safety training) have not been picked up. Furthermore, two areas were identified where improvements were required, however there is no clear plan in place to ensure that improvements are made in this area and there is no clear owner for progressing improvements in these two areas.

**Roles & Responsibilities for Property Compliance** - A lack of clarity was noted regarding roles and responsibilities around property compliance for maintained schools in terms of what should be the responsibility of Facilities Management and what should be the responsibility of the Schools Health & Safety Team. There is no clear route or process established between the directorates for raising and resolving these issues. Additionally, it is noted that FM property responsibilities across the corporate estate have yet to be formally documented following the function being brought back in house.

**Health & Safety Training** - Staff training provision on health and safety is ineffective. Audit testing found that mandatory health & safety training is not being completed as required in terms of both routine e-learning for all staff (53% of permanent new starters from 2017/18 were not recorded as having completed the mandatory training) and in relation to the one-day training for managers course (1 manager of 41 new starters with line management responsibilities from 2017/18 was recorded as having attended the one-day course during 2017/18). There is no management reporting which provides any assurance over the level of completion of this training. Although it is the responsibility of line managers to ensure that training is completed, training is not being completed and there is no awareness or visibility of this either within directorates or corporately within the Health & Safety team. Discussions during the audit have also found that it is hard to pin point what additional health and safety training is required for individual roles. Again, this is the responsibility of the line manager, but other than an annual Health & Safety report showing the number of staff who have completed each course (not how many should have), there is no assurance that specialist health and safety training is being completed by those who need it.

**Health & Safety Training for Ex-Carillion Staff** - Health & safety training arrangements were considered for ex-Carillion staff who transferred over to the Council at the start of 2018. Although consideration has been given to health & safety training needs and some training has been provided (for example catering staff have all had an induction which covers health and safety, and have had some service specific health & safety guidance), needs have not yet

been fully assessed, existing training has not been considered and there is not yet a clear plan in place with defined timescales to ensure that these staff have appropriate health and safety training for their role and are aware of their responsibilities in relation to health & safety (to include consistent and prompt reporting of accidents and incidents). FM acknowledge that there is further work to be done across the different groups of ex-Carillion staff particularly in relation to ensuring that there is a consistent approach to accident and incident reporting.

**First Aid Provision** - Responsibility within the Council for ensuring that there is appropriate first aid provision within Council buildings is not clearly assigned. Although it appears that first aid coverage is being managed locally at individual sites, there is no corporate oversight of this and there is no mechanism to provide assurance to senior management that first aid provision is appropriate or that appropriate training has been undertaken and is being kept up to date. A sample check on first aid and fire marshal arrangements undertaken by the Corporate Health & Safety Manager during the audit, identified a lack of fully qualified first aiders in some areas and identified significant non-compliance regarding specialist paediatric first aiders at some children and family centres. The results of this work were reported to FM staff and the County HR Manager and it has been reported that steps have been taken to address these gaps and train on site staff. It was reported that courses are planned for October and November 2018. Communications were issued to try and recruit more first aiders, but the issues relating to management and oversight of provision have not been resolved.

There is also currently no assurance as to whether supplements being paid to staff for being first aiders are being paid to the right people / whether these people have up to date training.

**Risk Management** - In terms of risk management, there are currently no agreed strategic health and safety risks included on the CLT risk register. A risk has been agreed with the risk owner (Corporate Lead for Health & Safety), however this has yet to be formally approved by CLT. This is scheduled for CLT review.

From review of directorate risk registers, it was noted that there are no health & safety specific risks on the Communities risk register in relation to property specific health & safety risk, this risk register was last updated in April 2018, 3 months after the property management function was brought back in house.

**Risk Assessment Process** - There is a lack of assurance and reporting on the risk assessment process. Managers and staff are responsible for ensuring that risks are assessed and managed in their areas / in relation to processes and tasks they undertake. These responsibilities are stated within the mandatory health & safety training (as discussed earlier, mandatory training is not being completed by all staff). There is currently no mechanism in place for reporting on or providing assurance to Directorates or CLT, that risk assessments are being completed where required and being completed appropriately.

Internal Audit testing identified that Display Screen Equipment (DSE) assessments are not being completed by all relevant staff. 6/10 new starters reviewed, reported that they had not completed a DSE assessment. One of the



areas for improvement in the 2017/18 Corporate Lead Statement was issues relating to musculoskeletal disorders and potential links to agile working. Whilst the guidance on the intranet was found to be clear and up to date, testing suggests that relevant new starters are not aware of the need to complete DSE assessments. It is likely that this lack of awareness is linked to the low completion rates for mandatory health & safety e-learning.

**Reporting of Accidents & Incidents** - Delays were noted in the reporting of accidents and incidents. Testing found that accidents and incidents are being reported, on average, 18 days after the occurrence of the accident or incident (this covers reporting corporately as well as by schools). Performance is slightly better for serious and moderate incidents, which are reported on average 11 days after occurrence. Guidance states that accidents and incidents should be reported as soon as possible after the incident takes place. Over the course of 2017/18 it was found that there were also 30 incidents (all schools) which took over 200 days to report including one serious incident which wasn't reported for 205 days. There is no follow up action taken or routine reporting to directorates in relation to promptness of reporting of accidents and incidents. It has been reported that promptness of reporting of incidents is considered as part of the Schools H&S Team Monitoring Visits for maintained schools.

**Corporate & Directorate Management Reporting** - There is a lack of clear review and monitoring of health & safety objectives both corporately and at directorate level. Whilst some corporate actions are being tracked by the H&S Governance Group, this group does not have the decision-making powers to ensure that corporate actions are implemented. At a directorate level, it was intended that health and safety actions would be covered through the directorate risk management process, however as noted earlier, health and safety risks are not recorded on all directorate risk registers.

There is a lack of formal reporting to CLT on health and safety outside of the annual health and safety report. There is also a lack of clarity on what should be reported to CLT. Significant issues identified during this audit, including mandatory health and safety training not being completed, inadequate first aid and fire marshal arrangements and key assurance mechanisms no longer working effectively have not been reported to CLT.

The County Health & Safety Manager does not attend DLTs for all Directorates and there is a lack of regular routine reporting to all Directorates. For Adult Services the County Health & Safety Manager was asked to attend the Internal Care Governance group rather than DLT. Since the audit, for Communities Directorate the County Health & Safety Manager has been asked to report to the management tier below COMT (Communities Management Team). Senior management within directorates therefore do not have any way of obtaining routine assurance over the arrangements for health & safety within their directorates (including maintained schools). Audit discussions with Directors / Strategic Directors as part of this audit confirmed that routine reporting to provide assurance on the effective operation of key controls in this area is a gap and would be welcomed going forward.

**Communications** - Whilst it was noted that there is good information on the intranet on health and safety policies and procedures (acknowledging that some areas need to be reviewed and updated) and news items on some

issues, there is a lack of communications to staff reminding them of key health and safety roles and responsibilities. For example, managers briefings don't include health and safety updates reminding managers about the need to complete mandatory training, undertake risk assessments and report accidents and incidents promptly. It is reported that a managers briefing is now planned to start in September / October and will be issued quarterly thereafter.

**Troubled Families - September 2018 Claim**

Opinion: n/a	Final Report: 27 September 2018	
Total: 7	Priority 1 = 0	Priority 2 = 7
Current Status:		
Implemented	3	
Due not yet actioned	1	
Partially complete	0	
Not yet Due	3	

Since Phase 2 of the government's Troubled Families programme began in September 2014, OCC has submitted between 2 and 3 claims per year. The claim due to be submitted by the 28<sup>th</sup> September consisted of 170 families for Significant & Sustained Progress (SSP), covering the period from December 2017 to May 2018, and 15 families for Continuous Employment.

In line with the requirements of the Financial Framework for the Expanded Troubled Families Programme the audit checked a sample of at least 10% for both claims 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.

Two instances of duplication were identified during the audit (within the claim and with a previous claim), and these have since been corrected. Issues were also identified in relation to the tracking of eligibility criteria (which did not result in any families being removed from the claim) and with families initially being included under the SSP, rather than CE, claim in error. These issues had 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 were therefore able to sign off the claim.

**Early Years Census Returns 2018/19**

Opinion: Amber	Final Report: 08 November 2018	
Total: 11	Priority 1 = 1	Priority 2 = 10
Current Status:		
Implemented	0	
Due not yet actioned	1	
Partially complete	0	
Not yet Due	10	

As a result of the queries raised by Finance following their initial review of the January 2018 Early Years Census results, it was apparent that data checking processes to ensure that the data submitted to the DfE was accurate had not worked as intended and were not sufficient. Following queries raised by Finance in relation to the accuracy of the figures reported, instances were identified where pupil numbers had been understated. In the case of the overstatement of pupil numbers identified relating to prior years, it was reported that this was not identified until after they had been used by the DfE to calculate DSG funding to the Council. The DfE then had to be contacted and the overpayment repaid. Management had reported that there were resourcing issues during this period which have now been resolved.

It has been acknowledged that checking processes required review and since the workshop held in May 2018, a checklist has been produced by the Data Team to ensure that the figures reported as part of future census returns are robust. Finance have also suggested a number of checks which should be completed, aimed at ensuring that issues noted with accuracy during the January 2018 early years census do not recur.

There is also a lack of routine sense checking across the cohort. By reviewing early years pupil numbers across the Schools and Early Years Census and comparing this with previous years and taking into account changes in demographics, it would indicate whether numbers were as expected or whether further review is required.

Issues were identified with not understanding changes and additions to DfE guidance. Although the example of this identified by Finance did not affect the relevant funding stream for 2018/19 in the end, the process in place for ensuring that these figures were calculated and reported accurately, in line with the guidance, did not work as it should have done and the different teams involved in data collection did not appear to liaise as they needed to.

Instances were identified where data upload errors had resulted in records not transferring correctly into the COLLECT system (part of the reason for the understatement of pupil numbers referred to above). Going forward control total checking between the two systems as part of the upload process would enable any similar issues to be identified and raised promptly.

There is currently no formal sign off process by those completing data accuracy checks to confirm that all appropriate checks have been undertaken and that there is confidence that the figures being reported are accurate.

It was noted that team process guidance for roles undertaken in relation to compilation, checking and submission of Early Years Census data and Schools Census data is out of date.

From review of the process for communicating with providers / settings on the information they are required to submit as part of the Early Years census, it was noted that communications are currently sent separately from the Data Team and the Early Education Funding Team. Joint, co-ordinated communications would be more efficient and would help settings see the Early Years Census as one process. This could also improve response rates.

It has also been reported that improvements to the data collection process for setting level information for the Early Years Census are planned. An online portal using a different module of the same system used for collection of pupil level data from settings is to be developed and implemented.

**Contingency Home Care 2018/19**

<b>Overall conclusion on the system of internal control being maintained</b>	<b>R</b>
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<b>RISK AREAS</b>	<b>AREA CONCLUSION</b>	<b>No of Priority 1 Management Actions</b>	<b>No of Priority 2 Management Actions</b>
<b>Risk Area A: Commissioning &amp; Contract Management</b>	<b>R</b>	<b>4</b>	<b>3</b>
<b>Risk Area B: Operational Management</b>	<b>R</b>	<b>2</b>	<b>12</b>
<b>Risk Area C: Payments &amp; Charging</b>	<b>A</b>	<b>0</b>	<b>4</b>
		<b>6</b>	<b>19</b>

Opinion: Red	Final Report: 11 December 2018	
Total: 25	Priority 1 = 6	Priority 2 = 19
Current Status:		
Implemented	3	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	22	

## Introduction

Contingency home support care is provided to Service Users as a 'stop gap' whilst long term care is sourced, for example after a period of Reablement care following discharge from hospital. It is intended to be short-term, so Service Users can move to stable long term care as soon as possible. The Council pays more than twice the standard hourly rate paid for long term care services, so it is in the Council's financial interest to keep contingency care packages as short as possible. This audit was undertaken at the request of the Deputy Director for Commissioning, as it was recognised that contingency arrangements had developed over time in a piecemeal manner from different budgets, as a response to the pressures in the home care market and issues with the whole system flow.

## **A: Commissioning and Contract Management**

There are 4 contracts in place with 3 providers that include an element of contingency care services. The audit found that the contract monitoring activities at an operational level for the separate contracts were satisfactory, as regular contract meetings were held, issues and risks identified, discussed and followed through. However, there is an absence of strategic oversight and management reporting of the contingency process as a whole; it is overseen at an individual separate contract monitoring level rather than as an end-to-end process across the contract services. For example, the total cost of contingency care is not tracked and managed, due to costs being allocated to separate cost centres for the different contracts, with contingency costs not being easily identifiable. Whilst some key performance indicators are monitored, these are inconsistent between the separately commissioned and managed contracts and some important indicators are missing. For example, a daily report monitors the number of service users in receipt of contingency care and awaiting long term care for one of the providers, but not another, so it doesn't give the full picture.

The average length of stay in contingency care is not monitored, albeit for one of the providers where the number of Service Users over 50 days is reported upon. From Internal Audit's analysis of one of the providers where the duration isn't monitored but which has a target maximum duration of 28 days in contingency care, Service Users were staying for an average of 125 days (as at the end of July 2018). This is significant, as the costs to the Council are double that of long term care.

Without ongoing high-level overview of the costs and key indicators of contingency care to understand the full number in receipt of contingency care and their average length of stay, it is not possible to know whether there is an increasing trend in contingency care, the financial impact of this, what the underlying causes are and therefore make evidence-based decisions on how to address any issues. It is thought that the number and costs of contingency care packages are increasing.

One of the contracts started in December 2017 but had not been signed at the time of the audit over six months later. The audit highlighted a lack of oversight to manage an issue of a provider with both contingency and long-term care contracts, as well as a lack of assurance over value for money from the core payment paid irrespective of the number of care packages picked up.

It is acknowledged by management that there are known areas of improvement with the commissioning approach in relation to this service area.

### **B: Operational Management**

The audit reviewed the contingency process across the different contracts and identified a number of key blockages resulting in delays with moving Service Users onto longer term care. There are known issues with insufficient or inadequate data and lateness of some referrals from the Reablement provider to the Council, resulting in delays in commencing the long-term sourcing process, however these are being addressed via the contract monitoring processes. The bigger challenge is the actual sourcing of long term care, which is subject to challenging market conditions in Oxfordshire.

The audit sought to track whether adequate processes were in place to routinely re-attempt sourcing long term care packages where Service Users have been in contingency care for a lengthy period. Although the audit noted that this was taking place, the transparency and consistency of recording sourcing attempts was insufficient, however this is actively being addressed by moving the recording of sourcing information from a manual spreadsheet system to the LAS social care online system.

In some cases identified during the audit, Service Users in receipt of contingency care had no ongoing care needs and so should not have been referred into contingency in the first place. A further issue identified by the audit was 'self-funders' in receipt of contingency care whilst privately sourcing their own care, without a Council assessment or sourcing support. The 3 cases identified in the audit samples had not been referred for financial assessments so were not paying any costs towards their care. There is no documented policy or procedure for identifying and logging this category of Service User at referral stage, for clarifying their eligibility for receiving contingency care, the duration of this and their charging treatment. As the Council has no control over when their care is sourced, we could in effect be subsidising their care for longer than necessary.

**C: Payments & Charging**

The audit identified process delays and administrative errors relating to client charging, resulting in financial assessments not being completed in all cases and correct charges applied (charges had not been backdated to the start of contingency care).

**Children’s IT System Implementation**

<b>Overall conclusion on the system of internal control being maintained</b>	<b>A</b>
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<b>RISK AREAS</b>	<b>AREA CONCLUSION</b>	<b>No of Priority 1 Management Actions</b>	<b>No of Priority 2 Management Actions</b>
<b>Project Governance</b>	<b>A</b>	<b>0</b>	<b>2</b>
<b>System Security</b>	<b>G</b>	<b>0</b>	<b>1</b>
<b>Data Migration</b>	<b>G</b>	<b>0</b>	<b>1</b>
<b>Testing</b>	<b>G</b>	<b>0</b>	<b>1</b>
<b>User Training</b>	<b>A</b>	<b>0</b>	<b>2</b>
		<b>0</b>	<b>7</b>

Opinion: Amber	Final Report: 19 December 2018	
Total: 7	Priority 1 = 0	Priority 2 = 7
Current Status:		
Implemented	1	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	6	

Our previous audit of this area was undertaken in February 2018 and identified a number of risks, especially in the areas of project governance and system security. Whilst the majority of agreed actions from this review have been addressed, three remain outstanding and they are referenced below.

The Project Initiation Document (PID) and terms of reference for the Implementation Board have now been approved. We previously reported that the risks contained in the monthly Highlight Report for the Implementation

Board did not have the highest scoring risks from the risk log and our testing has found that this weakness still exists. The Highlight Report also does not contain any details on the top issues facing the project and hence the Implementation Board will not have visibility of what they are. A proposal has recently been submitted to make organisation changes to ensure there are consistent financial processes in place to support the new IT systems. As processes should be mapped and signed-off prior to the IT systems going live, the Implementation Board should agree a cut-off date by which a decision on the proposal is required along with alternate options should the proposal not get approval. Internal audit has further work planned to review business processes.

All user authentication to LCS is now subject to single sign-on, based on network authentication, whereas previously this was only the case for primary login accounts. LCS user access levels have been documented and are being tested and will be formally signed-off by the Operational Lead. ContrOCC access levels have not been documented or formally signed-off to confirm that they are correct and reflect user roles.

The Data Migration Strategy has now been approved but the processes and procedures for managing data quality defects has not been documented as agreed in our original audit. Completing this action at this late stage of data migration is of little value, however, the Implementation Board should satisfy themselves that the actual processes and procedures used are effective. Testing has confirmed that reconciliation reports are used to identify any data errors and confirm data accuracy; all issues are logged on a designated system for resolution. The results of each data migration cycle are reported to the Implementation Board.

A Testing Strategy has now been documented but it still needs to be formally signed-off. A number of testing cycles have been completed and formal user acceptance testing (UAT) started on 26 November 2018. Formal test scripts have been developed for UAT and all testing will be signed-off by the Operational Lead and the Implementation Board.

There are two lots of training for users; "MeLearning" which is mandatory and gives users a basic competency to access LCS and classroom-based training that will be the main training on the new system. Some elements of the MeLearning training is already underway and the main classroom training is scheduled to start on 4<sup>th</sup> February 2019. The classroom training is being delivered by LiquidLogic and there is risk that they are not planning to issue user guides as part of their training, although we understand this has been addressed since the audit was undertaken. Users attending training is key to the successful delivery of the system. Some areas of system training will be delivered internally by staff and formal plans for how this will be managed still need to be developed.



## **AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2019/20**

### **6 March 2019**

Governance of the Housing and Growth Deal  
Governance of Oxfordshire Local Enterprise Partnership  
Highways Update (Owen Jenkins)  
Ernst & Young – 2018/19 Audit Plan (Paul King)  
Update on Carillion Recovery Plan (Alexandra Bailey)  
Scale of Election Fees and Expenditure (Glenn Watson)  
Counter-fraud Update (Sarah Cox)  
Progress update on Annual Governance Statement Actions (Glenn Watson)  
Audit Committee Annual Report to Council 2018 (Sarah Cox)  
Information Governance (Nick Graham)  
Oxford Direct Services work arrangement (or May meeting)  
Local Code of Corporate Governance (Glenn Watson)  
Review of effectiveness of Internal Audit (Glenn Watson)

### **8 May 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 (Paul King)  
OFRS Statement of Assurance 2018-19 (Paul Bremble)  
Draft narrative statement and Accounting Policies for inclusion in the Statement of Accounts (Hannah Doney)

### **17 July 2019**

Statement of Accounts 2018/19 (Lorna Baxter)  
Ernst & Young – Final Accounts Audit (Paul King)  
Treasury Management Outturn 2018/19 (Tim Chapple)  
Internal Audit Charter (Sarah Cox)  
Counter-fraud Plan 2019/20 (Sarah Cox)

### **11 September 2019**

Local Government Ombudsman's Review of Oxfordshire Co Co (Nick Graham)  
Internal Audit Plan – Progress Report (Sarah Cox)  
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Richard Webb)  
Monitoring Officer Annual Report (Nick Graham)  
Ernst & Young – 2018/19 Annual Audit Letter (Paul King)

### **13 November 2019**

Ernst & Young (Paul King)  
Treasury Management Mid Term Review (Tim Chapple)  
Counter-fraud Update (Sarah Cox)  
Review of effectiveness of internal audit (Glenn Watson)

**15 January 2020**

Internal Audit Plan – Progress Report (Sarah Cox)

Ernst & Young - Audit Plan (Paul King)

Treasury Management Strategy Statement and Annual Investment Strategy for 2020/21 (Tim Chapple)

***Standing Items:***

- Audit Working Group reports (Sarah Cox)
- Audit & Governance Committee Work Programme – update/review (Committee Officer/Chairman/relevant officers)
- Fit For the Future update (Lorna Baxter)