

To: Members of the Audit Committee

## ***Notice of a Meeting of the Audit Committee***

**Wednesday, 17 November 2010 at 11.00 am**

**County Hall**

*Peter G. Clark.*

Peter G. Clark  
County Solicitor

November 2010

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### **Membership**

Chairman – Councillor David Wilmshurst  
Deputy Chairman - Councillor Ray Jelf

### *Councillors*

Alan Armitage  
Roy Darke  
A.M. Lovatt

Charles Mathew  
Larry Sanders  
C.H. Shouler

Lawrie Stratford

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### *Co-optee*

Dr Geoff Jones

### **Notes:**

- ***Date of next meeting: 19 January 2011***
- ***There is no informal pre-meeting development session before the commencement of this meeting***
- ***The Cabinet Member for Finance & Property has a standing invitation to attend and speak on agenda items within his portfolio***
- ***The Chairman (or Deputy Chairman) of the Strategy & Partnerships Scrutiny Committee has a standing invitation to attend and speak on agenda items***
- ***A working lunch will be available at 12:30 pm***

## Declarations of Interest

This note briefly summarises the position on interests which you must declare at the meeting. Please refer to the Members' Code of Conduct in Part 9.1 of the Constitution for a fuller description.

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

You must always declare any "personal interest" in a matter under consideration, ie where the matter affects (either positively or negatively):

- (i) any of the financial and other interests which you are required to notify for inclusion in the statutory Register of Members' Interests; or
- (ii) your own well-being or financial position or that of any member of your family or any person with whom you have a close association more than it would affect other people in the County.

### **Whose interests are included ...**

"Member of your family" in (ii) above includes spouses and partners and other relatives' spouses and partners, and extends to the employment and investment interests of relatives and friends and their involvement in other bodies of various descriptions. For a full list of what "relative" covers, please see the Code of Conduct.

### **When and what to declare ...**

The best time to make any declaration is under the agenda item "Declarations of Interest". Under the Code you must declare not later than at the start of the item concerned or (if different) as soon as the interest "becomes apparent".

In making a declaration you must state the nature of the interest.

### **Taking part if you have an interest ...**

Having made a declaration you may still take part in the debate and vote on the matter unless your personal interest is also a "prejudicial" interest.

### **"Prejudicial" interests ...**

A prejudicial interest is one which a member of the public knowing the relevant facts would think so significant as to be likely to affect your judgment of the public interest.

### **What to do if your interest is prejudicial ...**

If you have a prejudicial interest in any matter under consideration, you may remain in the room but only for the purpose of making representations, answering questions or giving evidence relating to the matter under consideration, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

### **Exceptions ...**

There are a few circumstances where you may regard yourself as not having a prejudicial interest or may participate even though you may have one. These, together with other rules about participation in the case of a prejudicial interest, are set out in paragraphs 10 – 12 of the Code.

### **Seeking Advice ...**

It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

**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. **Declarations of Interest - see guidance note**
3. **Minutes** (Pages 1 - 6)

To approve the minutes of the meetings held on 22 September 2010 (**AU3**) and to receive for information any matters arising from them.

4. **Petitions and Public Address**
5. **Annual Audit Letter 2009/10**

11:10

A representative of the Audit Commission will present the Letter (**AU5** – circulated separately).

The Letter summarises the findings of the 2009/10 audit.

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

6. **Risk Management Annual Report** (Pages 7 - 14)

11:30

Report by Head of Strategy (**AU6**).

The Risk Management Annual Report summarises progress in this area since September 2009.

***The Committee is RECOMMENDED to:***

***(a) note the progress to date; and***

***(b) provide any feedback on the report.***

7. **Treasury Management Mid Term Review 2010/11** (Pages 15 - 26)

11:50

Report by Assistant Chief Executive & Chief Finance Officer (**AU7**).

The report (which is being considered by the Cabinet on 16 November 2010, the outcome of which will be reported orally at the meeting) sets out the Treasury Management activity undertaken in the first half of the financial year in compliance with the CIPFA Code of Practice. The report includes Debt and Investment activity, an update on Prudential Indicators, changes in Strategy, any Breaches of approved Strategy and a forecast of interest receivable and payable in the financial year.

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

**8. Report of the Audit Working Group - 4 November 2010 (Pages 27 - 30)**

12:10

Report by Assistant Chief Executive & Chief Finance Officer (**AU8**).

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

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

**12:30 Working Lunch**

**9. Revised Corporate Governance Assurance Framework (Pages 31 - 42)**

12:45

Report by County Solicitor (**AU9**).

Further to the Audit Committee on 22 September, a review of the corporate governance assurance framework has been undertaken by the County Solicitor and Corporate Governance Assurance Group. The report and revised framework are submitted for the Committee to consider.

***The Committee is RECOMMENDED to approve the revised Corporate Governance Assurance Framework.***

**10. ICT Overspend 2009/10 (Pages 43 - 66)**

1:05

Report by Dr. Geoff Jones, Chairman, Audit Working Group (AWG), on behalf of the AWG (**AU10**).

On 21 April 2010 the Committee asked the AWG to investigate an overspend in the County's ICT function in 2009/10.

***The Committee is RECOMMENDED to note the report, in particular:***

- (a) *the conclusion that measures taken to mitigate the ICT overspend in late 2008/9 probably contributed to a delay in taking effective cost-containment measures in 2009/10;*
- (b) *that there was over-commitment coupled with a lack of flexibility to respond to adverse events in early 2009;*
- (c) *that pressures on the core ICT budget continue, but that significant efficiencies have been achieved and more will arise from recent and forthcoming staff restructuring;*
- (d) *that project work, whether strategic or departmental, should not be undertaken by ICT without clear financial agreements with the relevant sponsoring agent (e.g. Directorate or Project Board);*
- (e) *that there remain significant external risks to the ICT budget in respect of SAP, Microsoft and IBM applications;*
- (f) *that ICT management are aware of current risks and have in place a new Corporate ICT Strategy and action plan to mitigate them.*

**11. Work Programme 2011 (Pages 67 - 68)**

1:25

Report by Head of Legal & Democratic Services (**AU11**).

***The Committee is RECOMMENDED to review / update its Work Programme 2011.***

**1:35 Close of meeting**

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**Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on **Friday 12 November 2010** at **2.00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

## Audit Committee

### Explanation of Abbreviations and Acronyms

The following is a list of abbreviations and acronyms that have occurred in reports to the Audit Committee, or during discussions at their meetings. It is not intended to be an exhaustive list of those used throughout the Council, however it will be reviewed prior each Audit Committee Meeting and updated should new examples occur.

<b>AC</b>	<b>Audit Committee:</b> Public Committee of Oxfordshire County Council whose purpose is to provide independent assurance on the adequacy of the Councils internal control framework, including risk management, and to oversee the financial reporting process
<b>AES</b>	<b>Annual Efficiency Savings</b>
<b>ASB</b>	<b>Accounting Standards Board:</b> UK body that sets accounting standards. A subsidiary body of the Financial Reporting Council.
<b>AGS</b>	<b>Annual Governance Statement:</b> Previously referred to as the <b>SIC</b> , the Annual Governance Statement is published annually by the Council with its Statement of Accounts
<b>APA</b>	<b>Annual Performance Assessment.</b> Managed by Ofsted, the APA focuses on the contribution that a council's services have made in the previous year towards improving outcomes for children and young people.
<b>AWG</b>	<b>Audit Working Group:</b> An informal Member / Officer working group of the Audit Committee enable the Committee to fulfil its responsibilities effectively and to receive private briefings on any matters of concern.
<b>BCP</b>	<b>Business Continuity Plan:</b> The Council plan for managing the impact of an emergency
<b>BCSG</b>	<b>Business Continuity Strategic Group:</b> Officer based group chaired by the Monitoring Officer, tasked with providing assurance that Government Standards for business continuity management are being met.

<b>BVACOP</b>	<b>Best Value Accounting Code of Practice.</b> This code is produced by CIPFA and is recognised as the 'proper practices' required under the Local Government Act 2003. The Code provides practical guidance on all formal financial disclosures required in relation to Best Value.
<b>BVPI</b>	<b>Best Value Performance Indicator:</b> A national measure of performance, set by central government
<b>BVPP</b>	<b>Best Value Performance Plan:</b> An annual report produced by local authorities detailing current performance levels, actions of the councils, and future performance standards expected
<b>CAA</b>	<b>Comprehensive Area Assessment.</b> This comes into effect in 2008/09 and replaces the <b>CPA</b> as the Audit Commissions process for reviewing the effectiveness of outcomes to local people across public sector bodies
<b>CAAL</b>	<b>Comprehensive Area Assessment Lead.</b> This person works for the Audit Commission and is the primary point of contact with the Council and the interface at the local level between the Commission and the other inspectorates, government offices and other key stakeholders.
<b>CCMT</b>	<b>County Council Management Team:</b> Comprises of the Chief Executive, Assistant Chief Executive and all the Directors of Services
<b>CGAG</b>	<b>Corporate Governance Assurance Group.</b> Previously known as the <b>SWG</b> , An officer group tasked with compiling the <b>AGS</b> , including the development and promotion of the internal control framework, and the collation of evidence to support the Annual Governance Statement.
<b>CGWG</b>	<b>Corporate Governance Working Group.</b> This Group was originally created to assist the Monitoring Officer in raising awareness of the importance of corporate governance. The principal focus of the Group is to review and update Corporate Governance Policies and to monitor implementation of these. It also has responsibility for reviewing the Local Code of Corporate Governance and to hold Officers to account.

<b>CIPFA</b>	<b>Chartered Institute of Public Finance &amp; Accounting:</b> CIPFA has responsibility for setting accounting standards and providing professional guidance for local government.
<b>Connexions</b>	The Connexions Service came under the control of the County Council from April 2007; it provides information, advice and guidance for young people aged 13-19.
<b>CPA</b>	<b>Comprehensive Performance Assessment:</b> The method by which the Audit Commission assess, measure and compare the performance of Local Authorities.
<b>CSCI</b>	<b>Commission for Social Care Inspectorate.</b>
<b>CYPF</b>	Directorate for <b>Children, Young People &amp; Families</b>
<b>DCSF</b>	<b>Department for Children, Schools &amp; Families</b>
<b>DSG</b>	<b>Dedicated Schools Grant</b>
<b>DoT</b>	<b>Direction of Travel</b>
<b>E &amp; E</b>	Directorate for <b>Environment &amp; Economy</b>
<b>ETMS</b>	<b>Electronic Time Management System:</b> System used for home support activity.
<b>FMIP</b>	<b>Financial Management Implementation Plan:</b> The Financial Management Implementation Plan (FMIP) is a set of actions designed to improve financial management within Oxfordshire County Council, arising from the report by Robson Rhodes in 2004. An updated plan FMIP2 has been prepared following a follow up review by Robson Rhodes in 2005/06.
<b>FMSiS</b>	<b>Financial Management Standard in Schools</b>
<b>FOI</b>	<b>Freedom of Information</b>
<b>FRS</b>	<b>Financial Reporting Standards.</b> These are set by the Accounting Standards Board (ASB), and the Council is required to comply with these.
<b>FSM6</b>	The financial management system used in schools. (Please note that between April 2008 and July 2009, all schools will be moving to SAP as their financial management system.
<b>FWT</b>	<b>Food With Thought.</b> A traded service run by the Council, providing catering services to schools and council establishments.

<b>ICC</b>	<b>Internal Control Checklist</b>
<b>IFRS</b>	<b>International Financial Reporting Standards.</b> This will be the new standard of accounting practice that all Local Authorities will be required to comply with. The estimated implementation date for Local Authority compliance is currently 2010/11.
<b>ISA260</b>	<b>International Standards on Auditing:</b> The ISA 260 is the standard that requires the external auditors (KPMG LLP) to communicate audit matters of governance interest arising from their audit of the financial statements of the Council. They communicate any such matters through a formal report to the Audit Committee.
<b>ITS</b>	<b>Integrated Transport Service</b>
<b>JAR</b>	<b>Joint Area Review.</b> Managed by Ofsted, the joint area review judges the contribution that the council and its partners in the local area are making to improve outcomes for children and young people
<b>KLoE</b>	<b>Key Lines of Enquiry:</b> Defined and used by the Audit Commission to support the Comprehensive Performance Assessment (CPA) of Local Authorities
<b>KPMG LLP</b>	The Councils External Auditors appointed by the Audit Commission
<b>LA</b>	<b>Local Authority</b>
<b>LAA</b>	<b>Local Area Agreement:</b> Local Area Agreements are made between central and local government in a local area. Their aim is to achieve local solutions that meet local needs, while also contributing to national priorities and the achievement of standards set by central government. There is an Oxfordshire LAA. Targets are set and specific funding streams are obtained through the LAA.
<b>LIBID</b>	<b>London Interbank Bid Rate</b> The rate at which UK banks are willing to borrow money from other UK banks
<b>LIBOR</b>	<b>London Interbank Offer Rate</b> The rate at which UK banks are willing to lend money other UK banks
<b>LOBO</b>	<b>Lender's Option/Borrower's Option</b> Long term debt instruments which include a re-pricing option for the bank at predetermined intervals

<b>LSP</b>	<b>Local Strategic Partnerships:</b> The bringing together of key local organisations from the public, private, voluntary and community sectors to focus efforts on the issues that matter most to local people and communities. In Oxfordshire there is a countywide LSP known as Oxfordshire Community Partnership (OCP).
<b>Monitoring Officer</b>	This is a statutory post under Section 5 of the Local Government and Housing Act 1989, with the overarching responsibility to ensure the lawfulness and fairness of decision making in the Council.
<b>MTFP</b>	<b>Medium Term Financial Plan.</b> Updated annually, the MTFP sets out a five year forecast of resources and service spending priorities.
<b>NFI</b>	<b>National Fraud Initiative.</b> The Audit Commission's computerised data matching exercise designed to detect fraud perpetrated against public bodies.
<b>OCP</b>	<b>Oxfordshire Community Partnership:</b> The Countywide LSP in Oxfordshire.
<b>OFG</b>	<b>Operational Finance Group:</b> This group is responsible for the implementation of policies and procedures and for the control of financial activities such as budget and yearend. It is directed by the Strategic Finance Managers Group (SFG), to which it reports its activities through its Chair, the Chief Accountant.
<b>Ofsted</b>	<b>Office for Standards in Education</b>
<b>OSJ</b>	<b>Orders of St. John Care Trust</b>
<b>OWP</b>	<b>Oxfordshire Waste Partnership</b>
<b>PAYE</b>	<b>Pay As You Earn</b>
<b>PCT</b>	<b>Primary Care Trust</b>
<b>Project Link</b>	This is the project in Social and Community Services to develop an integrated management system for Adult Social Care that can interface directly with the main accounting system (SAP)
<b>PSA</b>	<b>Public Service Agreement</b>
<b>PWLB</b>	<b>Public Works Loan Board.</b> A Government agency operating within the United Kingdom Debt Management Office with responsibility for lending money to Local Authorities

<b>QE</b>	<b>Quantitative Easing</b> Method by which the Bank of England increases the supply of money to the UK economy
<b>QuEST</b>	<b>Quality Educational Services and Training:</b> Available in schools from the Educational Effectiveness Service.
<b>S151 Officer</b>	A statutory post, under Section 151 of the Local Government Act 1972 held by the Head of Finance and Procurement. The S151 Officer is responsible for the proper administration of the financial affairs of the Council
<b>SAP</b>	SAP is the Councils key management information system, including the main accounting system.
<b>SAP revitalisation</b>	This is the Programme for the development of SAP required to deliver consistent, reliable and robust business management information.
<b>Schools Forum</b>	This is a group made up of representatives from schools and other stakeholder bodies, and includes schools Governors and Head Teachers. The remit of the group is to consider schools funding formula; contracts; financial issues; and the provision of accounts to schools.
<b>SDLT</b>	<b>Stamp Duty / Land Tax</b>
<b>SFG</b>	<b>Strategic Finance Group:</b> Officer group comprising Head and Assistant Heads of Finance and Strategic Finance Managers, with responsibility for providing advice and assurance on system of internal financial control and to specify the accounting framework and standards and the financial management requirements.
<b>Shared Services</b>	This is the Programme designed to bring under one umbrella HR and Finance support functions in order to provide a more efficient and effective services.
<b>SIC</b>	<b>Statement on Internal Control:</b> In accordance with the Accounts and Audit regulations 2003, the Council is required to provide an annual statement on the adequacy and effectiveness of its system of internal control.

<b>SOLACE</b>	<b>Society of Local Authority Chief Executives and Senior Managers</b> is the representative body for senior strategic managers working in the public sector. SOLACE spans all of the UK, having membership in Northern Ireland, Wales, Scotland and England.
<b>SORP</b>	Statement of Recommended Practice. These are guidance on accounting standards as defined by the Accounting Standards Board (ASB)
<b>SWG</b>	<b>Statement on Internal Control Working Group:</b> An officer group tasked with compiling the SIC, including the development and promotion of the internal control framework, and the collation of evidence to support the annual SIC Statement.
<b>SWIFT</b>	Management information system used by Social & Community Services.
<b>SWIP</b>	<b>Scottish Widows Investment Partnership</b> An external fund manager who invests money on behalf of Oxfordshire County Council
<b>TMST</b>	<b>Treasury Management Strategy Team</b> The team of Oxfordshire County Council officers responsible of the delivery of the Annual Treasury Management Strategy and Annual Investment Strategy
<b>Use of Resources</b>	This is part of the Audit Commissions CPA assessment that focuses on financial management and the links to the strategic management of the council. It looks at how financial management is integrated with strategy and corporate management, supports council priorities and delivers value for money.
<b>WGA</b>	<b>Whole Government Accounts</b>

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Updated 24 June 2008