

Agenda



Listening Learning Leading

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Date: 1 July 2013

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A MEETING OF THE

Audit and Corporate Governance Committee

WILL BE HELD ON TUESDAY 9 JULY 2013 AT 6.00 PM

COUNCIL CHAMBER, COUNCIL OFFICES, CROWMARSH GIFFORD

Members of the Committee:

Mr Michael Welply (Chairman)

Mr Philip Cross (Vice-Chairman)

Mr David Bretherton

Mr John Cotton

Ms Kristina Crabbe

Mrs Margaret Davies

Mr Neville F Harris

Mr Paul Harrison

Substitutes

Mr Roger Bell

Mr Bernard Cooper

Mrs Pat Dawe

Mr Leo Docherty

Mrs Eleanor Hards

Mr Stephen Harrod

Dr Christopher Hood

Mrs Denise Macdonald

Ms Anne Purse

Mr Robert Simister

Mr David Turner

If you would like a copy of these papers in large print, Braille or audio cassette or have any other special requirements (such as access facilities) please contact the officer named on this agenda. Please give as much notice as possible before the meeting

- 1 Apologies**
- 2 Declaration of disclosable pecuniary interest**
- 3 Minutes of the previous meeting**

Minutes of the meeting on 19 March 2013 (previously circulated).

2012/13 items

4 Ernst & Young: progress report (Pages 5 - 10)

Purpose: to consider the summary of the work undertaken by Ernst & Young since appointment as the council's auditor on 1 September 2012. The purpose of this report is to provide the Audit & Corporate Governance Committee with an overview of the stage we have reached in the 2012/13 audit and ensure the audit is aligned with the committee's service expectations

5 Draft annual governance statement (Pages 11 - 30)

Purpose: This statement explains how South Oxfordshire District Council has complied with its local code of governance and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to an annual review of the effectiveness of the council's systems and the preparation and approval of an annual governance statement (AGS).

The purpose of the attached AGS is to ask the committee to consider its content, to seek clarification of any of the assurances within it and note that this version of the AGS will be amended to ensure that it is up to date when the accounts are signed in September

6 Internal audit annual report (Pages 31 - 48)

Purpose: to report on the work of internal audit in the year ended 31 March 2013, and to advise the committee of the Audit Manager's opinion on the overall adequacy and effectiveness of the internal control environment.

2013/14 items

7 Internal audit activity report (Pages 49 - 68)

Purpose: to summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

8 Internal audit management report (Pages 69 - 76)

Purpose: to report on management issues within internal audit; to summarise the progress against the 2013/2014 audit plan up to 13 June 2013; and to summarise the priorities for quarter two 2013/2014.

9 Risk management and business continuity strategies
(Pages 77 - 104)

Purpose: to approve the business continuity strategy and the risk management strategy for 2013 to 2016

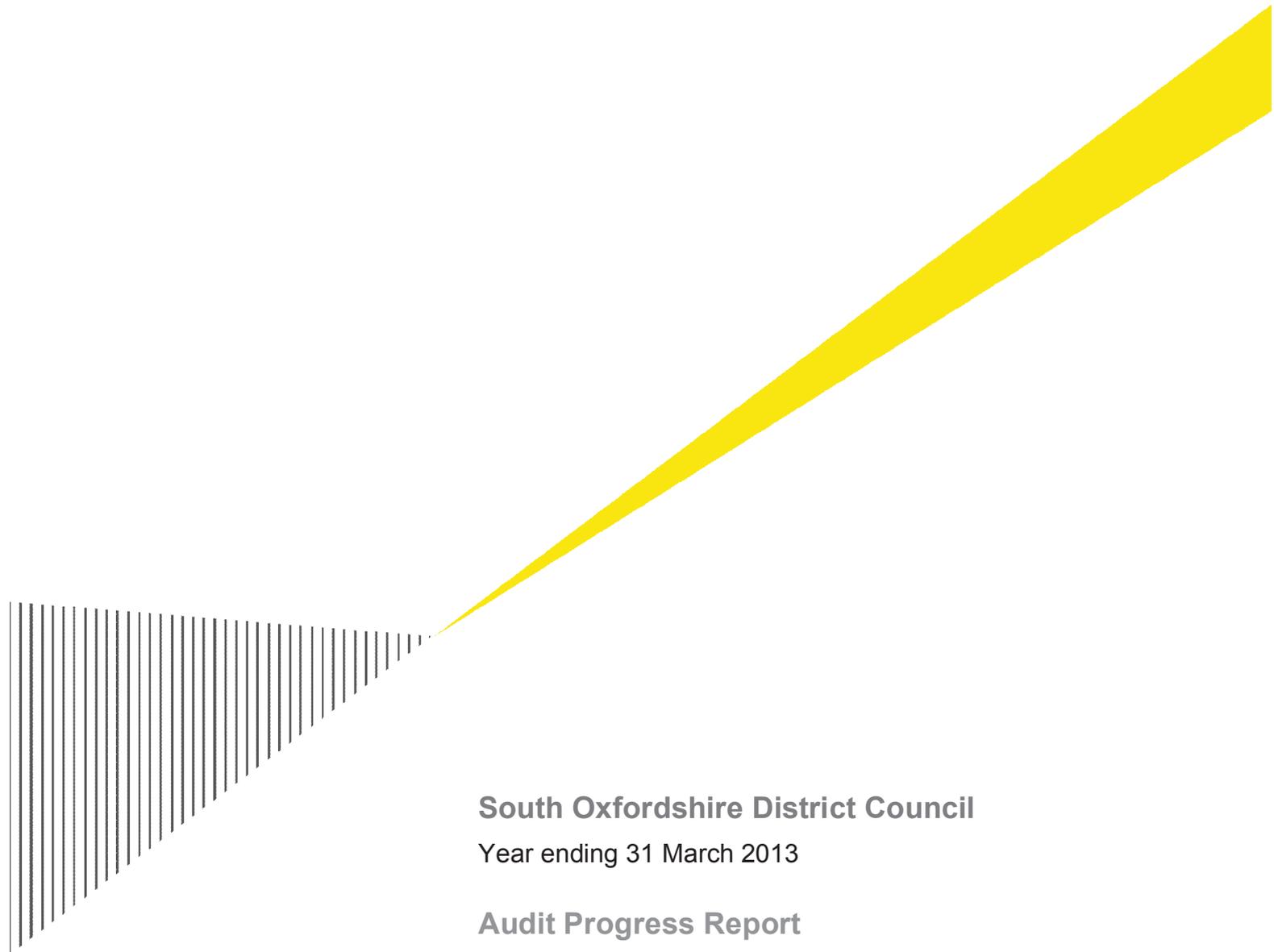
10 Committee's work programme (Pages 105 - 108)

Purpose: to consider and make recommendations on the committee's work programme for 2013/14

MARGARET REED

Head of Legal and Democratic Services

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South Oxfordshire District Council

Year ending 31 March 2013

Audit Progress Report

July 2013

Councillor Michael Welply- Chairman
Audit & Corporate Governance Committee
South Oxfordshire District Council
Crowmarsh Gifford
Oxfordshire,
OX10 8ED

25 June 2013

Dear Councillor Welply

Audit Progress Report - 2012/13

We are pleased to attach our Audit Progress Report.

This Progress Report summarises the work we have undertaken to date since our appointment as your auditor on 1 September 2012. The purpose of this report is to provide the Audit and Corporate Governance Committee with an overview of the stage we have reached in your 2012/13 audit and ensure our audit is aligned with the Committee's service expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We issued our Audit Plan to the Audit & Corporate Governance Committee on 19 March 2013. Since then we have completed our walkthroughs and started our tests of control and have continued to update our risk assessment. There are no new issues that we are required to communicate to you as a result of this work.

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

Yours faithfully

Maria Grindley
Director
For and behalf of Ernst & Young LLP
Enc

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1. Work completed

Meetings

We have met with members of the senior management team and key members of staff as part of our ongoing audit process:

- ▶ March 2013 - Meeting with Strategic Director & Chief Finance Officer and Head of Finance to discuss engagement team, audit plan and our audit approach.
- ▶ Jan 2012 -Feb 2012 - meetings with key finance staff to discuss and significant issues/risks around the accounts preparation process.
- ▶ Meeting with the Chief Executive and Strategic Director & Chief Finance Officer on 9 May 2013 to discuss issues facing the Council, and to update them on progress with the audit.

Completion of walkthroughs and tests of control

We have completed our walkthroughs and some test of control, placing reliance on the work of internal audit where possible.

At this stage, our work has not identified any issues that we need to bring to your attention as those charged with governance.

Value for money assessment

We are in the process of reviewing our initial risk assessment for our value for money work against the Audit Commission's specified criteria and areas of focus. Once we have completed our risk assessment we will communicate to you any specific risks we have identified and any additional local risk based work we may need to undertake as a result.

Grant claim certification

We have not yet started any work on the certification of your claims. We plan to start the audit of your housing benefit claim in September 2013 and your NNDR claim in August 2013

Additional work

The audit plan discussed with you on 20 March 2013 identified one possible area of additional work to support our opinion, namely the introduction of new fixed asset system.

Officers have confirmed that the new fixed asset system will not be introduced for the 2012/13 accounts, and this is no longer required.

However, officers have now asked us to review treatment of interest and early repayments on unit trusts going back to 2004/05. There may be some additional fee implications from this work, and we will discuss this with your officers as the work progresses.

2. Timetable

Audit Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2012/13 Audit and Corporate Governance Committee cycle.

We will provide formal reports to the Audit and Corporate Governance Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. 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 Corporate Governance Committee Chair as appropriate.

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

Audit phase	Timetable	Deliverables
High level planning:	November	Fee Letter
Risk assessment and setting of scopes	November/ January	
Testing of routine processes and controls	January/April	Audit Plan
Value for money conclusion	March - September	
Year-end audit	July – September	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate Whole of Government Accounts Certification
Reporting	October	Annual Audit Letter
Grant claims	December	Report on the audit of grant claims

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

Ongoing planning discussions

We concluded our planning discussions during January and February 2013. We have discussed and shared our 2012/13 Audit Plan with the Executive and officers, and it was discussed with the Audit and Corporate Governance Committee in March 2013.

Appendix 1: Audit Progress

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	November 2013	Completed	Reported to Audit & Governance Committee January 30 2013
Audit Plan	March/April 2013	Completed	Reported to Audit & Governance Committee March 20 th 2013
Report to Those Charged with Governance	September 2013		
Audit Report (including opinion and vfm conclusion)	September 2013		
Audit Certificate	September 2013		
WGA Certificate	September 2013		
Annual Audit Letter	October 2013		

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Annual Governance Statement 2012/13

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1.0 Scope of responsibility

1. South Oxfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
2. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
3. In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
4. The council approved and adopted its first local code of corporate governance in 2003. The council adopted a revised local code of governance with effect from 1 April 2008. This local code of governance is consistent with the "*Delivering Good Governance in Local Government*" publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), which was published in July 2007.
5. This statement explains how South Oxfordshire District Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to an annual review of the effectiveness of the council's systems and the preparation and approval of an annual governance statement.
6. Our website at www.southoxon.gov.uk has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

Democratic Services
South Oxfordshire District Council
Benson Lane
Crowmarsh Gifford
Oxon
OX10 8QS

2.0 The purpose of the governance framework

7. The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
9. The council has had the governance framework described below in place for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3.0 The governance framework

10. The purpose of the governance framework is to do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Full council is responsible for directing and controlling the organisation in this manner. Full council's responsibilities include agreeing the Constitution and key governance documents, the policy framework and key strategies including the community strategy and agreeing the budget.
11. South Oxfordshire District Council has executive arrangements in place consisting of a cabinet and a scrutiny committee. Cabinet is responsible for proposing the policy framework and key strategies, proposing the budget and implementing the policy framework and key strategies. The scrutiny function allows a committee to question and challenge the policy and performance of the executive and promote public debate.
12. The chief executive, who was appointed joint chief executive of this council and Vale of White Horse District Council in September 2008, advises councillors on policy and procedures to drive the aims and objectives of the council. As head of the officer staff, the chief executive oversees the employment and conditions of staff. The chief executive leads a strategic management board that is shared with Vale of White Horse District Council. The chief finance officer, the monitoring officer and heads of service are responsible for advising the executive and scrutiny committees on legislative, financial and other policy considerations to achieve South Oxfordshire District Council's objectives and are responsible for implementing councillors' decisions.

13. Our governance framework for 2012/13 was based on our local code of governance, which was adopted in 2008. Within the framework we aim to meet the principles of good governance in all aspects of the council's work giving particular attention to the main principles, which are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Councillors and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of councillors and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

THE STRATEGIC PLANNING FRAMEWORK

14. To ensure we do the right things, in the right way, for the right people, in a timely, inclusive, open, honest, cost-effective and accountable manner, our strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.

15. Our strategic aim is set out in our vision, which is "shaping a prosperous future for South Oxfordshire". Our work with partners takes place both locally to address local issues and also through some formal partnerships, which may be either service specific or more broadly strategic. Some of the key formal partnerships include:

- the South Oxfordshire Partnership (SOP) – this is the local strategic partnership (LSP) and is made up of relevant councils and a number of other public, private and voluntary sector organisations. SOP is responsible for developing a sustainable community strategy for the district. The council is also a member of the Oxfordshire Partnership, which is the LSP for the county of Oxfordshire
- the South and Vale Community Safety Partnership (CSP), which has a similar range of partners to the LSP and focuses on joint working to reduce crime and the fear of crime and address broader community safety issues affecting local people. It has an annual plan that sets out the partnership's key aims and objectives for the year and is available on the council's website.
- Oxfordshire Local Enterprise Partnership – this is the local enterprise partnership (LEP) for Oxfordshire. This is a voluntary body made up of representatives from business, academia and the wider public sector. The partnership's overarching aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The Oxfordshire LEP is responsible for delivering the Science Vale UK enterprise zone.
- Oxfordshire Waste Partnership – this is a partnership of the county and district councils of Oxfordshire who are working together to continuously improve waste management services within the county.

16. Our other key strategies include:

- The sustainable community strategy (SCS) is a partnership strategy developed by SOP (see above) and sets out the contribution that the council and its partners can make to delivering an overarching and long term vision for the district. The SCS vision is for South Oxfordshire to be an “attractive, successful, vibrant and safe place where people choose to live, work and visit.”
- The South Oxfordshire Core Strategy was adopted by the council in December 2012 and is the first part of a new Local Plan for the district. It provides the strategic framework for planning in South Oxfordshire and sets out our high level vision for the district to 2027. The core strategy sets out the overall amount of new development in the district and the broad locations for housing, employment, shopping and transport. It also allocates strategic sites and sets out what infrastructure is needed. The core strategy has replaced some of the Local Plan 2011, but a number of non strategic policies still remain in place. The Local Plan 2011 will eventually be replaced by the next planning document, to be known as the Local Plan: Sites and General Policies. This will allocate smaller sites in the towns and larger villages and will update the day to day policies. Work has commenced on this plan and we will work closely with local communities throughout the process. Several neighbourhood plans are also being produced by local communities in South Oxfordshire and when these are successfully completed, they will also form part of the development plan.
- The council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the councils’ Corporate Plan Priorities.
- Partnership working is the key theme behind South Oxfordshire District Council’s plans to boost its three market towns of Henley, Thame and Wallingford. The South Oxfordshire market towns action plans brings together new ideas alongside ongoing projects, as the council continues to work with the Henley Partnership, 21st Century Thame and the Wallingford Partnership, as well as the three respective town councils and various local groups, to help strengthen the local economy and bring more people to the towns. The action plan is designed to support the council’s objectives of building the local economy, continuing to invest to improve the viability and attractiveness of our towns, and supporting business growth.

17. Our Corporate Plan sets out the council’s strategic objectives and corporate priorities, which are as follows:

- Excellent delivery of key services
- Effective management of resources
- Meeting housing need
- Building the local economy
- Support for communities

18. Our four year Corporate Plan, along with Oxfordshire-wide plans, guide our decisions on how we invest our financial and staffing resources. These plans determine the types of projects we support through grant funding. Arising from the Corporate Plan each service team has a detailed service plan and workplan which identifies how they will undertake specific activities, which will deliver our priorities.

PERFORMANCE MANAGEMENT FRAMEWORK

19. In order to know that we are achieving the strategic objectives and corporate priorities in the Corporate Plan, we set local performance targets. To ensure we meet these targets and objectives, we have one-year service plans, workplans and service targets, thus ensuring that a *golden thread* aligns the council's top-level objectives to the work of each individual. Separately, we report performance to Government in accordance with the single data list.
20. We use a performance management system to monitor progress against the council's actions and targets. In the process of monitoring performance, we forecast year-end outcomes and undertake action planning to get measures back on track if they are below target. In addition, we review performance at the end of the year and use this to help set targets for the coming years. Where the council is not meeting targets, the responsible head of service discusses these on a monthly basis with their strategic director.
21. Our individual performance review scheme focuses on agreement of targets linked to service plans between managers and individuals. Throughout the year, staff have meetings with their managers to review progress and discuss and plan personal development in line with the council's objectives.
22. As the council outsources a significant number of services, we have operated since 2002 a formal framework for monitoring the performance of major contractors, and reporting these to the scrutiny committee.

LEGAL FRAMEWORK

23. Our Constitution sets out how South Oxfordshire District Council is managed and guides decision-making towards objectives. The monitoring officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution. Our Constitution includes a set of procedure rules that govern how we conduct our business. It also includes protocols covering, for example, the disclosure of interests in contracts and the relationship between officers and councillors. In addition the Constitution contains a planning code of conduct for councillors and a code of conduct for officers.
24. All decisions are made in accordance with the requirements of the Constitution and the scheme of delegation, which forms part of the Constitution. The monitoring officer will report to full Council or to Cabinet if she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration.
25. In the role of monitoring officer, the head of legal and democratic services contributes to the promotion and maintenance of high standards of conduct.
26. All councillors and co-opted members of local authority committees are required to comply with a code of conduct. The code of conduct sets out the framework within which they must operate. The Constitution incorporates the Oxfordshire code of conduct, which became effective from 1 July 2012.

FINANCIAL FRAMEWORK

27. The section 151 officer is responsible for the overall management of the financial affairs of the council. The section 151 officer determines all financial systems, procedures and supporting records of the council, after consultation with heads of service. Any new or amended financial systems, procedures or practices are agreed with the section 151 officer before implementation.

28. The full council is responsible for approving the following:

- MEDIUM TERM FINANCIAL STRATEGY

29. The medium term financial strategy sets a stable financial framework within which the council operates, and it is reviewed annually. It guides the medium term financial plan that is reported to councillors during the budget setting process.

- TREASURY MANAGEMENT STRATEGY

30. The treasury management strategy governs the operation of the council's treasury function, and is reviewed at least annually or during the year if it becomes necessary to do so. This strategy includes parameters for lending and borrowing, and identifies the risks of treasury activity.

- REVENUE AND CAPITAL BUDGET SETTING

31. Both revenue and capital budgets are set by full council in February each year. Revenue budget setting includes both the calculation of the council tax base and the surplus or deficit arising from the collection fund.

32. Cabinet has overall responsibility for the implementation of the council's financial strategies and spending plans, and is authorised to make financial decisions subject to these being consistent with the budget and policy framework and the Constitution.

33. Heads of service are responsible for ensuring the proper maintenance of financial procedures and records, and the security of assets, property, records and data within their service area.

34. The chief executive, strategic directors and heads of service consult with the head of finance and the head of legal and democratic services on the financial and legal implications of any report that they are proposing to submit to the full Council, a committee (or sub-committee), or Cabinet.

RISK MANAGEMENT FRAMEWORK

35. Risk management is important to the successful delivery of our objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are effective. The overall responsibility for effective risk management in the council lies with the chief executive supported by the strategic management board. We use a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.

36. Councillors have a responsibility to understand the strategic risks that the council faces, and are made aware of how these risks are being managed through an annual report to the Audit and Corporate Governance Committee.
37. The strategic management board is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks.
38. We have operational risk registers in place for each service area and all heads of service are responsible for ensuring that risks are identified and prioritised and entered onto the risk register. We review and refresh the operational risk registers each quarter. We have mainstreamed and integrated the annual refresh of our risk registers with the annual service planning cycle, so that risk mitigation actions can be included in service plans.
39. All line managers are responsible for implementing strategies at team level by ensuring adequate communication, training and the assessment and monitoring of risks. All officers are responsible for considering risk as part of everyday activities and provide input to the risk management process.
40. We also have a robust approach to business continuity to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

4.0 Review of effectiveness of the governance framework

41. The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the council who have responsibility for the development and maintenance of the governance environment, the internal audit manager's annual report and also by comments made by the external auditors and other review agencies and inspectorates. The following highlights our review of our governance framework and sets out the assurances of committees, officers and external organisations.

REVIEW OF OBJECTIVES

42. Within this document, the section entitled *the strategic planning framework* sets out the council's current strategic objectives as a result of a major review of the Corporate Plan in 2011/12. The plan aims to ensure that the council is doing the right things in the right way and for the right people. In doing this, the council asked customers to set out their priorities for improvement. Each year the council reviews the Corporate Plan to ensure that it remains current in the years leading up to the four-yearly redrafting of the plan.
43. On 19 February 2013, the scrutiny committee undertook a [final review of performance on the Corporate Plan 2008-2012](#). Within 2008-2012 Corporate Plan our strategic objectives were *managing our business effectively; protecting our environment; delivering homes for all; supporting economic growth; transforming Didcot; helping people feel safe and secure; improving opportunities, activities and support for young people and strengthening local communities*. The summary of performance provided to the scrutiny committee highlighted: the savings and

efficiencies resulting from joint working with Vale of White Horse District Council; the excellent performance as the best council in the country with 68 per cent of household waste subject to recycling or composting; the success at being only the second in the country to obtain Enterprise Zone status for development sites; inward investment to fund growth at Didcot; reductions in reported criminal damage; and the extent of funding provided to communities and local groups.

44. The council's current Corporate Plan is subject to review in the early autumn.

PERFORMANCE MANAGEMENT AND SERVICE PLANNING

45. In recent years, we have looked to improve the consistency of performance management throughout the council. To do this, we published a performance management handbook, and promoted its uptake via an interactive intranet site. The handbook highlights the links between related functions such as corporate planning, service planning, reporting, risk management, budget planning and individual performance review. The handbook also lists the key responsibilities of specific roles. It reflects the management structure and the harmonised processes between this council and Vale of White Horse District Council.

46. The performance management handbook contains a data security policy. We implement this policy by assigning data owners to every Local Performance Target (LPT). In addition, the handbook details the data returns on the Government's single data list which are relevant to the councils. For each data return we have documented:

- the service area(s) which collect the data;
- the officer responsible for submitting the data.

47. We have introduced a [monthly board report](#), which contains a smaller set of key performance indicators, selected by the strategic management board, and cabinet illustrating:

- current performance;
- last year's performance for comparison;
- year-end target;
- latest year-end prediction by officers;
- for adverse performance: a narrative supplied by the responsible officer.

48. A recent analysis of the board report, prepared as part of a report for the Local Government Association, showed that the council is meeting the majority of key performance measures. In addition, the analysis suggested a long-term, on-going trend of improvement.

49. The board report is subject to a rigorous approval process, whereby it is checked firstly by heads of service as data owners, then, finally, by the strategic management board and cabinet members. We then publish the report to the website and notify all councillors. Councillors may then request the addition of any aspects of poor performance to the agenda of the next scrutiny committee meeting. On a quarterly basis, councillors at cabinet briefing discuss the report.

50. The report is constantly evolving to reflect management requirements, automating many of the graphs, so that they take data directly from the underlying systems.
51. We have continued our approach of asking target and action owners to forecast whether they are on track to deliver year end outcomes. For each target or action that is 'below target', we ask the owner to provide an action to get back on track.
52. South Oxfordshire District Council has made significant progress over the past years and has implemented a performance management system based on clearly defined output deliverables and priorities.
53. We continue to operate a strong approach to service planning. Following the management restructure with Vale of White Horse District Council, we implemented a combined approach to service planning from 2010/11. During 2013 we further trained all managers on strategic objective-setting and briefed all staff on it.
54. There are 'programmes' for cross-cutting themes such as equality and sustainability. This enables the programme managers to oversee actions owned by others and thus maximise the chances of the programme meeting its targets.
55. We now use performance points. A performance point is generally a board, displayed in a team's service area, showing how the team is performing against key performance targets (some are electronic and display real-time data.) Performance points:
- are divided into three main sections – customer excellence, business management and staff investment;
 - increase the visibility of targets and the progress against them;
 - increase the relevance of targets to teams;
 - are used at regular meetings to discuss performance; and
 - can be used as a tool to review performance with politicians and strategic directors.
56. We have been developing a new, streamlined, service planning process, which will be used in the future. This will establish a direct link between the four-year corporate plan and each team's performance point.
57. The combination of all of the approaches listed above is that the council has a strong focus on delivering priorities, managing performance against targets, and progressing actions.

LEGAL FRAMEWORK

58. At its meeting on 16 July 2008, Council approved the creation of a shared senior management team with Vale of White Horse District Council. In September 2008, South Oxfordshire District Council's chief executive was appointed to the post of shared chief executive. In December 2008, strategic directors were appointed to the shared management team, in February 2009 shared heads of service were appointed and in April 2010 service managers took up their positions. At the outset of this shared process, the council's monitoring officer was satisfied that the procedure adopted in the recruitment process complied with all relevant legislation.

59. Section 113 of the Local Government Act 1972 allows a local authority to enter into an agreement with another local authority to place its officers at the disposal of another authority. This legislation therefore allows sharing of officers between the two councils. Council authorised the head of legal and democratic services to enter into an agreement under section 113 of the Local Government Act 1972 for this joint arrangement. The section 113 agreement was completed on 26 September 2008 and updated on 18 February 2011.
60. The Constitution was reviewed during the year to ensure it is up to date. In order to enhance the efficiency of decision-making within the budget and policy framework agreed by full council, more decision-making has been delegated to Cabinet members and officers.
61. Council agreed to adopt the strong leader model of governance, which the council implemented in May 2011 with an updated scheme of delegation.
62. A harmonised scheme of delegation to officers and harmonised contract procedure rules operate to meet the requirements of joint working with Vale of White Horse District Council.
63. The monitoring officer did not need to use her statutory powers during the year.
64. Lexcel is the accreditation quality mark which the Law Society has developed and which is only awarded to legal practices that undergo rigorous independent assessment each year to ensure they meet the required standards of excellence in areas such as customer care, case management and risk management. Having undergone assessment in July 2012, the legal team achieved its first Lexcel accreditation under the joint arrangements.

Action(s):

- To continue to review the Constitution to meet the requirements of good governance arising from the joint working arrangements with Vale of White Horse District Council.

FINANCIAL FRAMEWORK

FINANCIAL REPORTING

65. For 2012/13 we produced budget monitoring information for both revenue and capital income and expenditure every month from June onwards during the financial year. We distributed budget monitoring reports from the financial management system, which are profiled, to heads of service and managers every month, within a week of the end of the period. This allowed accountancy to ensure that the information is as up to date as possible, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures.
66. Every quarter, heads of service are required to submit a return to accountancy, which provides reasons for current variances, and forecasts the end of year outturn position.

67. We collate the heads of services' returns into a budget monitoring report which is considered by cabinet briefing. These reports highlight the key variances being reported by each service, allowing management and cabinet to focus on them.
68. The budget monitoring reports include details of any virements considered necessary within the quarterly budget monitoring reports. By making budget transfers in-year, we are able to realign resources to ensure that overspends do not impact on our ability to deliver other services. This is assisted by the prudent inclusion of a £300,000 contingency budget.
69. Budgetary control is subject to internal audit review every three to four years. Otherwise, budgetary control is generally reviewed in audits of teams or service areas.
70. For all committee reports for which a decision is required, a "financial implications" section is included which details the actual, and potential, financial consequences of the decision being taken. We ensure that this information is accurate and relevant by an accountant checking it.
71. In September 2012 the audit and corporate governance committee approved the council's financial statements for 2011/12, and an unqualified audit opinion was received by September 2012, within the statutory deadline.
72. Officers keep up to date with the latest developments in accounting, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. The council subscribes to the CIPFA finance advisory network (FAN) and accountants regularly attend FAN events, which enable them to be prepared for changes to the accounts. Accountants that attend training courses report back to the rest of the accountancy team on the content of the course.
73. Each year's accounts and annual audit letter are available to the public and are published on the council's [web site](#).

BUDGET MONITORING

74. Accountants meet with all service heads or their staff at least every quarter during the financial year to discuss performance against budget and to highlight areas of potentially significant over or under spend. We use this information to prepare the quarterly budget monitoring reports presented to cabinet briefing, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the budget setting process to be based on the very latest estimates of income and expenditure.
75. Every year the council sets a comprehensive and balanced budget, which is proved to provide adequate resources by the absence of overspends against total budget in recent years.

76. The council's budget planning cycle is well established. We complete the annual budget for consideration by cabinet in early February, before it is discussed and approved at full council later that month. Scrutiny committee reviewed the budget during January, and also in the period between its consideration by cabinet and full council during February. Throughout the budget setting process the council's financial position, and budget proposals, are regularly discussed informally by cabinet and the strategic management board, which ensures that they have a good understanding of the financial situation.
77. When the budget is set, the monitoring of income and expenditure against budget continues throughout the financial year by both the strategic management board and councillors. Cabinet briefing receives budget monitoring reports every quarter, culminating in an outturn report that reflects on the overall performance against budget for the previous year. These are based on returns provided by the heads of service.

MEDIUM TERM FINANCIAL STRATEGY AND MEDIUM TERM FINANCIAL PLAN

78. Supporting the annual budget setting process, we produce a medium term financial strategy (MTFS), and a five-year medium term financial plan (MTFP) annually. The MTFS identifies the parameters within which the council's finances are managed, and states that new or additional expenditure will be agreed with reference to the council's priorities. We update it annually and it therefore keeps abreast of changes in the political and economic climate. We discuss its preparation with the Cabinet member for finance, and both Cabinet and Council agree it. It also underpins other council strategies, such as the capital strategy.
79. The MTFP provides a forward-looking budget model that estimates the council's budget needs in future years, and in the process also indicates the required level of savings needed in future years to balance the budget in accordance with the parameters enshrined in the MTFS. This is based on assumptions of the most likely levels of such critical factors as inflation, government grant funding, and the level of investment interest. These are subject to current uncertainty. We highlighted the impact of fluctuating interest rates on the investment income the council will earn in the MTFS through a sensitivity analysis, which took into account both the expected levels of interest rates, and the future level of council reserves and balances. We have included the risk of fluctuating interest rates in our risk register.
80. By using the MTFP to estimate future council income and expenditure the council was able to reduce council tax for 2013/14 by 2.5 per cent. To ensure that the council can continue to focus on delivering services more efficiently during difficult economic times, it has taken a pro-active approach to identifying and delivering efficiency savings.
81. The council's policy on reserves and balances is enshrined in the MTFS, which councillors approve. The budget report we present to cabinet includes a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions underpinning the estimates of reserves are reasonable.

82. The council communicates key messages from its financial planning process to staff and stakeholders. New staff undertake an induction process that includes an introduction to local government finance module. This makes staff aware of how the council's budgets are constructed and of the financial pressures the council faces. During the budget setting we hold a series of presentations for staff to explain the budget process and the pressures the council faces as part of the budget setting process. We also seek the views of stakeholders during the budget process.

TREASURY MANAGEMENT STRATEGY

83. The council's [treasury management strategy](#), which council agrees annually, sets out the council's policy on managing its investments, which ensures that it has sufficient cash to meet its needs, and that returns are maximised whilst maintaining the security of the council's assets. The strategy has regard to the Code of Practice for Treasury Management, and the CIPFA Prudential Code. We report performance against the strategy to council twice per year.

84. The council enjoys a healthy financial position. We have significant reserves that generate interest income, which we use to support both the revenue budget and the capital programme. The council takes a prudent approach to its use of investment interest, by using it in the year after it is earned. This means that we will use the interest earned during the 2012/13 financial year to support the 2013/14 revenue budget. This provides a more stable platform on which to plan, and means that the prolonged low interest rates that have been experienced in recent times do not impact on in-year service delivery.

85. All the arrangements detailed above demonstrate that the cabinet and strategic management board exercise collective responsibility for financial matters. All members of the strategic management board accept individual and collective responsibility for the stewardship of use of resources and financial accountability.

COMMENT ON THE ROLE OF THE CHIEF FINANCIAL OFFICER

86. The council has reviewed its financial management arrangements to ensure that they conform with the requirements of CIPFA's Application Note to Delivering Good Governance in Local Government on the *Role of the Chief Financial Officer in Public Service Organisations*.

87. The section 151 officer, or chief financial officer, has a responsibility to ensure that an effective internal audit function is resourced and maintained. The council has an in-house internal audit team, which comprises an audit manager and three auditors. The council requires internal audit to provide an effective service in accordance with professional standards, and internal audit officers must abide by the Institute of Internal Auditors Code of Ethics and receive suitable training and development to maintain the appropriate skills, experience and competence. The performance of internal audit is subject to quarterly review by the audit and corporate governance committee.

COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

88. We offer councillors a comprehensive induction programme. As a result of the May 2011 elections the council had 17 new councillors. At the induction session, councillors met the service teams and also indicated their training needs. Training sessions on planning and licensing have been held with needs assessment taking place in order to provide further relevant training. We deliver needs-based training.
89. Senior officers take part in induction sessions with all staff, along with the Leader of the Council. The development opportunities for senior officers include support towards a nationally recognised qualification e.g. MBA. They can attend programmes such as *aiming to be a corporate director*. Attendees evaluate these programmes, provide feedback at the end of each session and line managers review training during the appraisal and formal one to one process.
90. The corporate management team has attended a leadership development programme, consisting of several workshops covering the principles of high performing teams and elements of the Mastering Management programme that had previously been delivered to service managers. This was to further improve the relationships and quality of conversations between senior managers, to ensure that they provided clear and consistent leadership for the two organisations and understood the principles of what was covered in the Mastering Management programme.
91. We launched a management development programme (Mastering Management) for the newly appointed shared service managers in 2010/11, which continued into 2011/12. During 2012 – 2013, the same programme was implemented for team leaders and supervisors. It included a module on *leading impact and influence* that covered skills to influence others, work collaboratively and to have challenging and difficult conversations. Another module was on *leading performance* that covered skills to raise performance through coaching within their teams.
92. As part of the programme, the team leaders attended *action learning sets* where they discussed individual challenges and received ideas on how to handle these situations from their colleagues. In addition, some team leaders are being mentored by a service manager. All these programmes ensure consistency of management practices across all levels of managers.
93. The council will continue to develop councillors' roles through a councillor development programme. It will be undertaken as a shared programme with Vale of White Horse District Council. The programme will result in actions to develop the effectiveness of councillors in their different roles. It will have the added objective of making decision making in council and committee meetings more effective. The programme will encourage councillors to engage in training to meet their needs as well as the council's needs.
94. The councils will offer senior managers, service managers and team leaders / supervisors further opportunities to consolidate their management development through refresher and follow-up sessions. The councils offered an element of the mastering management programme (an introduction to Transactional Analysis) to all

employees, to provide them with the opportunity to benefit from an understanding of how to apply this technique for interpersonal relationships. This will continue to be offered to all employees.

Action: To continue to develop councillors' roles through a councillor development programme.

INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

95. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.
96. The internal audit manager contributes to the assurance process by commenting on the effectiveness and outcome of the programme of internal audits and comments on the effectiveness of the internal control environment of the council. The internal audit services are completely harmonised with Vale of White Horse District Council.
97. The internal audit manager's overall opinion offers satisfactory assurance on the basis of internal audit's own work. There is basically a sound system of internal control in place, but there are some weaknesses, which may put some system objectives at risk.
98. Internal audit is committed to providing anti fraud and corruption training, however this has been postponed due to the audit manager being on maternity leave. During 2012/13, the internal audit team have undertaken proactive anti fraud compliance testing to evaluate whether the control environment is sufficiently robust and to highlight areas of concern with regards to fraud and corruption issues. Internal audit also reviewed the risk management arrangements, and have identified minor areas for improvement.
99. Internal audit offers assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit has completed a self-assessment against the code to identify areas for further improvement and no actions were identified.

Action: The councils will assess the need for anti fraud and corruption training for councillors and officers in 2014/15.

RISK MANAGEMENT

100. We harmonised our [risk management](#) approach with Vale of White Horse District Council and the harmonisation process allowed us to enhance our approach to risk management by incorporating recommendations made by internal audit and considering the comments made by the Audit Commission during their use of resources review.

101. The risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact is assessed, the gross and net risk are identified and responsibility for mitigating actions is assigned to appropriate officers. We have designated risk champions for all services' areas who refresh the operational risk registers quarterly, which heads of service review. Any mitigating actions required for operational risks are included in service plans where appropriate. The process requires the strategic management board to regularly review the strategic risk registers and also requires us to present a report detailing the contents of operational risk registers to audit and corporate governance committee.
102. We have a strategic risk register, owned by the strategic management board, that requires the strategic management board to review the strategic risk register. We assigned responsibility for implementing the required mitigating actions to either one of the strategic directors or the chief executive. We presented an annual update report to audit and corporate governance committee on 30 January 2013.
103. We provided refresher training to members of the audit and corporate governance committee on 20 March 2012 and risk management is included in the induction package given to new employees. Guidance documents and procedures are available to all staff via a designated risk management area on the council's intranet. The council has designated risk champions who receive training as required and the corporate risk officer supports the champions in their duties.
104. Strategic management board has identified partnerships as a strategic risk and included this in the strategic risk register. The council's partnership manager has included partnership risks within the service team's operational risk register.
105. Risk management has been incorporated into the council's approach to writing report synopses where officers are required to detail the risks that the council faces in making its decision.

ANTI-FRAUD, BRIBERY, MONEY LAUNDERING AND WHISTLEBLOWING

106. Internal audit's rolling audit plan includes areas such as gifts and hospitality and the register of interests. A pro-active anti-fraud review is completed each year, and testing will identify if existing management controls are sufficient. The council raised the profile of the anti-fraud, bribery and corruption policy and the whistleblowing policy by increasing their visibility through inclusion on the council's website and the inclusion of anti-fraud and corruption arrangements in induction packages for new employees.
107. The council actively participates in the National Fraud Initiative; publicises successful cases of fraud; has effective working arrangements; and, shares intelligence with relevant partner organisations e.g. the Police, Department for Work and Pensions and the Housing Benefit Matching Service. The council has a good record of prosecuting fraudsters and administration of penalties and cautions. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.

108. The internal control arrangements in place include the Constitution, the provision of an internal audit service, the presence of an active audit and corporate governance committee, transparent governance reporting through an assurance framework and compliance with relevant laws and regulations.
109. The risk of money laundering to the council remains low. However, the council has a money laundering policy and procedures and has designated the section 151 officer to be the council's Money Laundering Reporting Officer.

Actions:

During 2013/14 we will undertake the scheduled review of the anti-fraud, bribery and corruption policy and the whistleblowing policy.

BUSINESS CONTINUITY

110. We have a joint business continuity strategy with Vale of White Horse District Council and we have business continuity plans supported by the disaster recovery plan and a joint crisis management plan. Each service has a plan administrator who reviews the business continuity plans every quarter and we update the crisis management plan when required. We now have a joint disaster recovery site with Vale of White Horse District Council. As part of the procurement process, contract specifications include a requirement for potential suppliers to provide the council with details of their business continuity arrangements.
111. We presented an annual update report to audit and corporate governance committee on 30 January 2012 and a simulated business continuity exercise took place on 2 May 2012.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

112. Our audit and corporate governance committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005). Where required we offer training to committee members.
113. In May 2012 the full council agreed that the committee should take on aspects of the role of the former standards committee in dealing with code of conduct complaints against councillors. The committee agreed procedures for dealing with code of conduct complaints at its meeting on 10 July 2012.

THE SCRUTINY COMMITTEE

114. This scrutiny committee continues to help develop council policy and reviews performance in meeting council objectives.

COUNCILLORS' CODE OF CONDUCT

115. Until 30 June 2012 councillors continued to operate under a code of conduct adopted in 2007. As a result of revised legislation new code of conduct came into effect from 1 July 2012. In order to comply with the new legislation full council agreed the appointment of two independent persons in July.

116. In May 2012 full council decided that it would not have a standards committee but that the audit and corporate governance committee would assume responsibility for dealing with code of conduct complaints.
117. As the need arises, officers have delivered briefings and advice on the code to district and parish and town councillors as well as parish and town clerks. Councillors received briefings on the implications of the revised code of conduct in the autumn.
118. Until 30 June the standards committee continued to carry out the local assessment of code of conduct complaints. From 1 July the monitoring officer has decided what action to take on complaints in consultation with the independent persons. The monitoring officer did not refer any complaints to the audit and corporate governance committee and has not sent any complaints for investigation.

Action:

During 2013/14 we will continue to seek good practice emerging from the new standards of conduct framework.

EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

119. Issues raised by our external auditor, Ernst & Young¹, and other external inspectors are used to identify improvement areas in our governance arrangements.
120. This was the third year the council had prepared its accounts under International Financial Reporting Standards (IFRS)) and the Audit Commission issued an unqualified opinion on the financial statements in September 2012.

• **CERTIFICATION OF ANNUAL CLAIMS**

121. Of the three claims certified by the Audit Commission/Ernst & Young, the Audit and Corporate Governance Committee noted in January 2013 that the housing benefit subsidy claim was qualified and that officers and Capita would investigate ways to minimise errors.

• **LOCAL GOVERNMENT OMBUDSMAN**

122. The Local Government Ombudsman (LGO) provides summary information on complaints about South Oxfordshire District Council to enable the council to incorporate any feedback into service improvement.
123. At its meeting in September 2012, the [audit and corporate governance committee](#) considered the Ombudsman's letter for the period 1 April 2011 to 31 March 2012. During 2011/12 the LGO determined ten complaints, compared to seven the previous year, which is line with our average over the last ten years. This compares favourably with the other Oxfordshire districts which had an average of 13.25.

¹ Prior to November 2012 the Audit Commission was the external auditor.

Audit and Corporate Governance Committee



Report of Audit Manager

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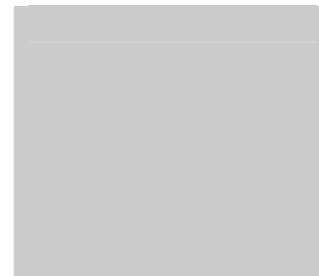
Cabinet member responsible: Councillor David Dodds

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To: Audit and Corporate Governance Committee

DATE: 9 July 2013



Internal audit annual report 2012/2013

Recommendation(s)

- (a) That members note the content of the report

Purpose of Report

1. The purpose of this report is to report on the work of internal audit in the year ended 31 March 2013, and to advise the committee of the audit manager's opinion on the overall adequacy and effectiveness of the internal control environment.
2. The contact officer for this report is Adrianna Partridge, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic Objectives

3. Managing our business effectively.

Background

4. Standard 10 of the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (CIPFA Code) states that the head of internal audit (audit manager) must produce an annual report that:

- includes his or her opinion on the overall adequacy and effectiveness of the organisation's control environment;
 - discloses any qualifications to that opinion, together with the reason(s) for the qualification;
 - presents a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
 - draws attention to any issues the head of internal audit judges particularly relevant to the preparation of the Statement of Internal Control (now Annual Governance Statement);
 - compares the work actually undertaken to the work that was planned and summarises the performance of the internal audit function against its performance measures and targets; and
 - comments on compliance with the CIPFA standards and communicates the result of the internal audit quality assurance programme.
5. The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
- establishing and monitoring the achievement of the organisation's objectives;
 - ensuring compliance with established policies, procedures, laws and regulations;
 - ensuring risk management is embedded in the activity of the organisation, that leadership is given to the risk management process, and staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
 - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
 - the financial management of the organisation and the reporting of financial management; and
 - the performance management of the organisation and the reporting of performance management.

Overall Opinion

6. The audit manager is satisfied that sufficient internal audit work has been undertaken to allow a reasonable conclusion to be drawn as to the adequacy and effectiveness of South Oxfordshire District Council's (SODC) risk management, control and governance processes. The audit manager's opinion is based on the risk-based audits carried out during the year and other unplanned work on control systems. No reliance has been placed on the work of other assurance bodies.
7. It is the audit manager's unqualified opinion that satisfactory assurance can be placed on the council's risk management, control and governance processes. There is basically a sound system of internal control but there are some weaknesses which may put some system objectives at risk.

8. Based on the scope of internal audit's reviews, nine areas were given full assurance which is an increase of one from 2011/2012. No significant improvements in specific audit areas was noted. Areas of weakness in the control environment have been identified and improvement actions agreed in the following areas: payroll and capital management and accounting. Where internal audit identified weaknesses which require remedial action, recommendations have been made and discussed with officers.
9. Notwithstanding the audit manager's overall opinion, internal audit identified a number of opportunities for improving controls and procedures across the council which officers have generally responded to positively.
10. Throughout 2012/2013, the audit manager has reported on systemic control weaknesses to the audit and corporate governance committee. These are significant control weaknesses which have been identified across a number of operational areas. Two consistent control weaknesses have remained throughout the year, which are policies and procedures not being comprehensive, up to date and owned by a responsible officer and information/data items not being reconciled appropriately. Internal audit will continue to ensure that systemic control weaknesses are consistently reviewed as part of planned audit work. The systemic control and recommendation log is attached as **Appendix 1** for information.
11. A summary of all internal audit opinions is attached as **Appendix 2**.

Summary of Audit Work

12. For 2012/2013, internal audit completed 513.5 audit work days. 260.75 days for South Oxfordshire District Council and 252.75 days for the Vale of White Horse District Council. This includes planned audit work, consultancy work and contingency work (i.e. investigations).
13. A total of 53 planned internal audit reviews have been undertaken with a total of 47 planned audits being completed within 2012/2013. A further six reports were in progress at year end, which have now been completed. From those 53, 27 relate to SODC. From the 27 completed audits, nine (33.5%) achieved a full assurance rating. In most cases (16 audits / 59%) a satisfactory assurance rating was achieved. Limited assurances were appropriate for two (7.5%) audits and no reviews resulted in nil assurance being given. In total 138 recommendations to improve controls and procedures within the council were made. One (1%) was classified as high, 40 (29%) as medium and 97 (70%) as low. Of the completed audits 13 recommendations were not agreed by management.
14. One investigation was completed during 2012/2013 for the council, and this utilised 17.5 days. One joint consultancy review was completed during 2012/2013, and this utilised 0.5 days. No system development work was requested.
15. A total of 36 follow-up reviews were undertaken during 2012/2013, utilising 18 days. From those 36, 16 related to SODC. Time has been allocated within the 2013/2014 audit plan for further follow-up work.

Issues Relevant to the Annual Governance Statement

16. Specific audit reviews on corporate governance and the council's anti-fraud and corruption arrangements were not included within the 2012/2013 annual audit plan, but risk management was reviewed and received satisfactory assurance. Five medium risk and three low risk recommendations were made to improve controls and procedures in this area, and four were agreed. Internal audit has also undertaken proactive anti fraud testing within 2012/2013 which raised one issue to be addressed.
17. No suspicions of fraud and corruption by officers, members or partners/contractors were reported to the audit manager during 2012/2013. The audit manager has reviewed the 11 entries for 2012/2013 within the gifts and hospitality register for and has no concerns.

Internal Audit's Performance

18. The internal audit team was at full complement for 2012/2013 of an audit manager (0.8FTE) and 3 auditors shared across both sites.
19. The performance of internal audit is measured against a number of indicators. The out-turn for 2012/2013 is as follows:

	Year Ending 31/03/12	Target 11/12	Year Ending 31/03/13
Chargeable	72%	70%	71%
Non-Chargeable	6%	8%	4.5%
Lost	22%	22%	24.5%

Performance Targets	Year Ending 31/03/13
PT1 To issue 90% of audit notifications at least 1 month before start of audit fieldwork	100%
PT2 To issue 90% of draft audit reports within 5 working days of completion of the exit meeting.	100%
PT3 To issue 90% of final audit reports within 5 working days of receipt of the auditees final responses to draft report and recommendations.	100%
PT4 To follow up 90% of final reports within 6 months of completion of audit.	95%
PT5 To complete the audit fieldwork and issue draft reports on 100% of all priority 1 audits within the audit plan.	100%
PT6 To complete the audit fieldwork and issue draft reports on 80% of all priority 2 and 3 audits within the audit plan.	82%

20. This year is the best team performance under the current audit manager, and the auditors should be commended for their excellent achievement. For the first time in six years, all six performance targets set for 2012/2013 were achieved. For the previous six years the team has failed to achieve PT4, with

a performance of 32% in 2010/2011 increasing to 69% in 2011/2012. For 2012/2013 the team achieved 95%. The performance targets will not be stretched in 2013/2014 due to the audit manager's forthcoming maternity leave, but an additional target of issuing 90% follow up notifications at least one month before the start of follow up fieldwork has been added.

Compliance with CIPFA Code

21. As part of the quality assurance programme and to assist in monitoring and improving the quality and value of service provided, auditees are asked to complete an audit feedback questionnaire on internal audit's performance. Response rates have increased slightly from six being returned in 2011/2012 to seven being returned during the course of 2012/2013. A summary of all the responses received and general comments is attached as **Appendix 3**.
22. All feedback received by the audit manager is discussed with the relevant auditor. Where appropriate, the audit manager meets the officer to discuss their comments in more detail and implement any necessary process improvements.

Financial Implications

23. There are no financial implications attached to this report.

Legal Implications

24. None

Risk Implications

25. Identification of risk is an integral part of all audits.

ADRIANNA PARTRIDGE
AUDIT MANAGER

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RECOMMENDATION LOG

Recommendations have been categorised

Supervision - Staff and activities should be adequately supervised by someone who understands the process and will detect deviations from accepted practice.

Organisation - There should be a clear organisational structure and all staff should be aware of their roles and responsibilities.

Authorisation and approval - all transactions and decisions should be authorised by a nominated officer.

Physical - There should be suitable controls over access to offices, assets, controlled stationery and computer systems.

Management - Suitable financial and operational management information should be produced, and there should be active use of exception reports, critical review and management enquiry.

Arithmetical and accounting - There should be adequate checking and re-performing, reconciliations, effective costing and processing systems and accurate accounting records and use of control accounts.

Personnel - There should be controlled appointments and ongoing training and appraisals.

Segregation of duties - The functions of authorising, recording and custody/controlling should be undertaken by separate

Points Key	
1	Low risk recommendation
2	Medium risk recommendation
3	High risk recommendation

1. SUPERVISION RECOMMENDATIONS

No	Recommendation Type	Audit Identified In	Council	Points	Recommendation Point Total
1.1	All supervisory checks should be evidenced by an authorising signature.	General Ledger 1213	SODC	1	
		General Ledger 1213	VWHDC	1	
		Time Management 1011	SODC	2	
		Time Management 1011	VWHDC	2	
		Leisure Centres 1011	VWHDC	3	
		Car Parks 1112	SODC	2	
		Payroll 1213	SODC	1	
		Payroll 1213	VWHDC	1	
				2	
		NNDR 1213	SODC	2	
		Election Payments 1112	VWHDC	1	
HR Pro and Annual Leave 1112	SODC	3			
HR Pro and Annual Leave 1112	VWHDC	3	24		
1.2	Control sheets should be utilised to ensure all key process stages have been undertaken.	HR Grievance Procedure 1011	SODC	1	
		HR Grievance Procedure 1011	VWHDC	1	
		Licensing 1112	VWHDC	2	
		Payroll 1213	SODC	2	
		Election Payments 1112	SODC	2	
		Mobile Home Parks 1213	SODC	1	
		Mobile Home Parks 1213	VWHDC	1	
		Wantage Civic Hall 1213	SODC	3	
		Wantage Civic Hall 1213	VWHDC	3	
		NNDR 1213	SODC	2	
NNDR 1213	VWHDC	2	20		
	Random spot checks should be undertaken.	Car Parks 1112	SODC	2	
		Car Parks 1112	VWHDC	2	
		Mobile Home Parks 1213	SODC	1	
		Mobile Home Parks 1213	VWHDC	1	

2. ORGANISATION RECOMMENDATIONS

No	Recommendation Type	Audit Identified In	Council	Points	Recommendation Point Total
2.1	Policies, procedures and guidance notes are not comprehensive, up to date and are not owned by a responsible officer.	Capital Accounting 1213	SODC	4 x 1 2	
		Capital Accounting 1213	VWHDC	3 x 1 2	
		Creditor Payments 1213	SODC	1	
		Creditor Payments 1213	VWHDC	1	
		Equalities and Diversity 1112	SODC	2 x 1	
		Equalities and Diversity 1112	VWHDC	2 x 1	
		General Ledger 1213	SODC	2 x 1	
		General Ledger 1213	VWHDC	2 x 1	
		Health and Safety 1011	SODC	2 x 1	
		Health and Safety 1011	VWHDC	4 x 1	
		Receipt of Income Arrangements 1213	SODC	2	
		Receipt of Income Arrangements 1213	VWHDC	2	
		HR Grievance Procedure 1011	VWHDC	1	
		HR Recruitment 1011	SODC	1 2 x 2	
		HR Recruitment 1011	VWHDC	1 2 x 2	
		Payroll 1213	SODC	2 x 2	
		Payroll 1213	VWHDC	2 x 2	
		Sundry Debtors 1112	SODC	1	
		Sundry Debtors 1112	VWHDC	1	
		Time Management 1011	SODC	2 x 3	
		Travel and Subsistence 1112	SODC	2	
		Travel and Subsistence 1112	VWHDC	2 x 2	
		Treasury Management 1213	SODC	1	
		Treasury Management 1213	VWHDC	2 x 1	
		Car Loans 1011	VWHDC	2	
		Mortgage Administration 1011	VWHDC	1 2	
		Licensing 1112	SODC	3 x 1 3 x 2	
		Licensing 1112	VWHDC	1 3 x 2	
		Gifts and Hospitality 1112	SODC	1	
		Gifts and Hospitality 1112	VWHDC	1	
		Stationery System 1112	SODC	2	
		Leisure Centres 1011	SODC	1 3	
		Leisure Centres 1011	VWHDC	1 2 x 2	
		Ocella/Uniform ICT Procurement 1112	SODC	1	
		Facilities Management 1112	SODC	1 2	
		Building Control 1112	SODC	1	
		Building Control 1112	VWHDC	1 2	
		Planning Fees 1112	SODC	2 x 1	
		Planning Fees 1112	VWHDC	1	
		NNDR 1213	SODC	1 2	
		NNDR 1213	VWHDC	1	
		Groupwise Exchange 1112	SODC	2	
		Groupwise Exchange 1112	VWHDC	2	
		Emergency Planning 1213	SODC	2 x 1	
		Emergency Planning 1213	VWHDC	2 x 1	
		Election Payments 1112	SODC	2	
		Election Payments 1112	VWHDC	2	

		Insurance 1213	SODC	1	
		Insurance 1213	VWHDC	1	
				2	
		Cornerstone 1213	SODC	3 x 1	
		Discretionary Grants 1213	VWHDC	2 x 3	
		Grounds Maintenance 1112	SODC	2	
		Grounds Maintenance 1112	VWHDC	2	
		Information Governance 1213	SODC	3 x 1	
				2	
		Information Governance 1213	VWHDC	3 x 1	
				2	
		Data Protection 1213	SODC	5 x 1	
		Data Protection 1213	VWHDC	5 x 1	
		Mobile Home Parks 1213	SODC	2	
		Mobile Home Parks 1213	VWHDC	2	
		Budgetary Control 1213	SODC	2 x 1	
		Budgetary Control 1213	VWHDC	1	
		Development Management 1213	SODC	1	
				2	
		Development Management 1213	VWHDC	1	
				2	
		Waste Mgt & Recycling 1112	SODC	3	
		Waste Mgt & Recycling 1112	VWHDC	3	
					184
2.3	Appropriate IT systems should be in place.	General Ledger 1213	SODC	1	
		General Ledger 1213	VWHDC	1	
		Health and Safety 1011	SODC	3	
		Health and Safety 1011	VWHDC	3	
		ICT 1011	SODC	1	
		Stray Dogs 1011	VWHDC	1	
		Gifts and Hospitality 1112	SODC	2	
		Gifts and Hospitality 1112	VWHDC	2	
		HR Pro and Annual Leave 1112	SODC	1	
				2	
		HR Pro and Annual Leave 1112	VWHDC	2	
		Building Control 1112	SODC	1	
					20
2.4	All IT system functionality should be fully utilised.	Council Tax 1213	SODC	2	
		Council Tax 1213	VWHDC	2	
		Sundry Debtors 1011	SODC	1	
		Licensing 1112	VWHDC	1	
		Stray Dogs 1011	VWHDC	1	
		Payroll 1213	SODC	2	
		Payroll 1213	VWHDC	2	
		Travel and Subsistence 1112	SODC	1	
		Travel and Subsistence 1112	VWHDC	1	
		HR Pro and Annual Leave 1112	SODC	1	
				2	
		HR Pro and Annual Leave 1112	VWHDC	1	
				2	
		Carbon Management 1213	SODC	1	
		Carbon Management 1213	VWHDC	1	
		Data Protection 1213	SODC	2	
		Data Protection 1213	VWHDC	2	
		Waste Mgt & Recycling 1112	VWHDC	2 x 2	
					29
2.5	TOR should be in place for working groups.	Health and Safety 1011	SODC	1	
		Health and Safety 1011	VWHDC	1	
					2
2.6	Clear performance targets should be in place.	ICT 1011	SODC	2	
		Pest Control 1011	SODC	1	
		Payroll 1213	SODC	2	
		Payroll 1213	VWHDC	2	
		Car Parks 1112	SODC	2 x 2	
		Car Parks 1112	VWHDC	2 x 2	
					15

2.7	Adequate contracts/SLA should be in place for all partnership/supplier arrangements.	Sundry Debtors 1112	SODC	1	21
		Sundry Debtors 1112	VWHDC	1	
		Pest Control 1011		2	
			SODC	3 x 2	
		Brown Bins 1112	SODC	1	
		Brown Bins 1112	VWHDC	1	
		Equalities and Diversity 1112	VWHDC	1	
		Wantage Civic Hall 1213	VWHDC	3	
		Housing & Council Tax Benefits 1213	VWHDC	1	
		Council Tax 1213	SODC	1	
		Council Tax 1213	VWHDC	1	
		Facilities Management 1112	SODC	1	
Facilities Management 1112	VWHDC	1			
2.8	Information should be accurate.	Budgetary Control 1213	SODC	1	18
		Housing & Council Tax Benefits 1213	SODC	1	
		Housing & Council Tax Benefits 1213	VWHDC	1	
		Payroll 1213	SODC	1	
		Payroll 1213	VWHDC	1	
		Discretionary Grants 1213	SODC	1	
		Discretionary Grants 1213	VWHDC	1	
		Cornerstone 1213	SODC	1	
		Mobile Home Parks 1213	SODC	2 x 1	
		NNDR 1213	SODC	1	
		NNDR 1213	VWHDC	1	
		Wantage Civic Hall 1213	VWHDC	2 x 2	
		Risk Management 1213	SODC	1	
		Risk Management 1213	VWHDC	1	
2.9	Working structure should be fit for pu	Discretionary Grants 1213	VWHDC	3	8
		Wantage Civic Hall 1213	VWHDC	2	
2.10				3	

3. AUTHORISATION AND APPROVAL

No	Recommendation Type	Audit Identified In	Council	Points	Recommendation Point Total
3.1	Payments should only be made if appropriate authorisation has been received.	Creditor Payments 1213	SODC	1	8
		Payroll 1213	SODC	2 x 1	
		Payroll 1213	VWHDC	1	
				2	
		Wantage Civic Hall 1213	VWHDC	2	
3.2	Write offs should be undertaken in a timely manner.	NNDR 1213	SODC	2 x 1	8
		NNDR 1213	VWHDC	2 x 1	
		General Ledger 1213	SODC	2	
		General Ledger 1213	VWHDC	2	
3.3	Access to IT systems should be appropriate and only be given once	ICT 1011	SODC	1	4
		Mortgage Administration 1011	VWHDC	3	
3.4	An authorised signatory listing	Travel and Subsistence 1112	SODC	1	1
3.6	Amendments to data should not be made without appropriate authorisation.	Pro-active Anti-Fraud 1112	SODC	3	12
		Pro-active Anti-Fraud 1112	VWHDC	3	
		General Ledger 1213	SODC	3	
		General Ledger 1213	VWHDC	3	

4. PHYSICAL

No	Recommendation Type	Audit Identified In	Council	Points	Recommendation Point Total
4.1	ICT back up arrangements should be adequate and tested on a regular basis.	ICT 1011	SODC	2	6
		Cornerstone 1213	SODC	1	
		Mortgage Administration 1011	VWHDC	3	
4.2	Documentation should be filed appropriately.	Travel and Subsistence 1112	VWHDC	1	41
		Stationery System 1112	SODC	2	
		Stationery System 1112	VWHDC	2	
		Leader Project Assurance 1011	SODC	1	
		Facilities Management 1112	SODC	2 x 1	
		HR Pro and Annual Leave 1112	SODC	3	
		HR Pro and Annual Leave 1112	VWHDC	3	
		Groupwise Exchange 1112	SODC	3	
		Groupwise Exchange 1112	VWHDC	3	
		Insurance 1213	VWHDC	2	
				3	
		Wantage Civic Hall 1213	VWHDC	1	
		Payroll 1213	SODC	4 x 2	
Payroll 1213	VWHDC	1			
		3 x 2			
4.3	Financial stationary should be locked securely at all times.	Cash Office 1011	SODC	1	1
4.4	Inventory records should be held of all physical assets.	Facilities Management 1112	SODC	1	7
		Waste Mgt & Recycling 1112	SODC	3	
		Waste Mgt & Recycling 1112	VWHDC	3	
4.5	Adequate key controls should be in place.	Wantage Civic Hall 1213	VWHDC	2	7
				3	
		Facilities Management 1112	SODC	2	
4.6	Physical access rights should be terminated promptly once an	General Ledger 1213	SODC	2 x 1	4
		General Ledger 1213	VWHDC	2 x 1	
4.7	Physical items moved between sites and between the council and contractors should be adequately tracked.	Payroll 1213	SODC	1	4
			VWHDC	1	
		Pro-Active Anti-Fraud 1213	SODC	2	
		Pro-Active Anti-Fraud 1213	VWHDC	2	

5. MANAGEMENT

No	Recommendation Type	Audit Identified In	Council	Points	Recommendation Point Total
5.1	Management information should be reported appropriately.	Capital Accounting 1213	SODC	2 x 1	30
		Equalities and Diversity 1112	SODC	2	
		Equalities and Diversity 1112	VWHDC	2	
		Travel and Subsistence 1112	SODC	2	
		Travel and Subsistence 1112	VWHDC	2	
		Sundry Debtors 1112	SODC	1	
		Gifts and Hospitality 1112	SODC	2	
				3	
		Gifts and Hospitality 1112	VWHDC	2	
				3	
		Insurance 1112	VWHDC	2	
		Carbon Management 1213	SODC	2	
Wantage Civic Hall 1213	VWHDC	2			
		3			
5.2	Comprehensive and accurate management information should be available.	Capital Accounting 1213	SODC	1	39
		Health and Safety 1011	SODC	2 x 2	
		Health and Safety 1011	VWHDC	2	
		HR Recruitment 1011	VWHDC	1	
		Leisure Centres 1011	SODC	2	
		Leader Project Assurance 1011	SODC	1	
		Grounds Maintenance 1112	SODC	1 x 2	
		Brown Bins 1112	SODC	2	
		Brown Bins 1112	VWHDC	2	
		Equalities & Diversity 1112	SODC	1	
		Equalities & Diversity 1112	VWHDC	1	
		Verification of Pls 1213	SODC	1	
		Verification of Pls 1213	VWHDC	1	
		Carbon Management 1213	SODC	3 x 1	
				2	
		Carbon Management 1213	VWHDC	3 x 1	
				2	
Budgetary Control 1213	SODC	1			
Budgetary Control 1213	VWHDC	1			
Mobile Home Parks 1213	SODC	1			
Mobile Home Parks 1213	VWHDC	1			

5.3	Base management information should be recorded to enable comparison and monitoring.	Waste Mgt & Recycling 1112	SODC	2	6
		Waste Mgt & Recycling 1112	VWHDC	2	
		Verification of Budget Savings 1112	SODC	1	
		Verification of Budget Savings 1112	VWHDC	1	
5.4	Contractors should be monitored on a regular basis.	Health and Safety 1011	SODC	2	30
		Health and Safety 1011	VWHDC	2	
		Leisure Centres 1011	SODC	1	
				2	
				3	
		Leisure Centres 1011	VWHDC	3 x 1	
				3	
		Facilities Management 1112	SODC	2	
Cornerstone 1213	SODC	1	23		
Grounds Maintenance 1112	SODC	1			
		2 x 2			
Grounds Maintenance 1112	VWHDC	2 x 1			
		2 x 2			
5.5	Regular monitoring meetings should be held to assess performance.	Capital Accounting 1213	SODC	2	23
		Capital Accounting 1213	VWHDC	2	
		Leader Project Assurance 1011	SODC	1	
		Facilities Management 1112	SODC	2	
		Facilities Management 1112	VWHDC	2	
		Car Parks 1112	SODC	1	
		Car Parks 1112	VWHDC	1	
		Verification of Budget Savings 1112	SODC	2	
		Verification of Budget Savings 1112	VWHDC	2	
		Mobile Home Parks 1213	SODC	2	
		Mobile Home Parks 1213	VWHDC	2	
		Waste Mgt & Recycling 1112	SODC	2	
		Waste Mgt & Recycling 1112	VWHDC	2	

6. ARITHMETICAL AND ACCOUNTING

No	Recommendation Type	Audit Identified In	Council	Points	Recommendation Point Total
6.1	Effective budgetary control arrangements should be in place - accurate budget setting	Waste Mgt & Recycling	SODC	2	4
		Facilities Management 1112	SODC	2	
6.2	There should be regular reconciliation of information/data/items.	Creditor Payments 1213	SODC	2 x 1	49
				2	
		Creditor Payments 1213	VWHDC	2 x 1	
				2	
		General Ledger 1213	SODC	1	
		General Ledger 1213	VWHDC	3 x 1	
		Council Tax 1213	SODC	2 x 2	
		Council Tax 1213	VWHDC	2 x 2	
		Cash Office 1112	VWHDC	3	
		Waste Mgt & Recycling 1112	SODC	2	
		Waste Mgt & Recycling 1112	VWHDC	2	
		Brown Bins 1112	SODC	2	
		Brown Bins 1112	VWHDC	2	
		Licensing 1112	SODC	2	
		Licensing 1112	VWHDC	2	
		Discretionary Grants 1213	SODC	1	
Wantage Civic Hall 1213	VWHDC	2			
Capital Mgt and Accounting 1213	SODC	2			
Capital Mgt and Accounting 1213	VWHDC	2			
Verification of Budget Savings 1112	SODC	3			
Verification of Budget Savings 1112	VWHDC	3			

6.3	There should be regular financial reconciliations.	General Ledger 1213	VWHDC	1	39
		General Ledger 1213	SODC	1	
		Leisure Centres 1011	SODC	3	
		Mortgage Administration 1011	VWHDC	2 x 2	
		Car Parks 1112	SODC	2	
		Election Payments 1112	SODC	1	
				2	
		Election Payments 1112	VWHDC	2 x 2	
		Payroll 1213	SODC	2	
		Payroll 1213	VWHDC	2	
		Mobile Home Parks 1213	SODC	2	
		Mobile Home Parks 1213	VWHDC	2	
		Treasury Management 1213	SODC	1	
		Wantage Civic Hall 1213	VWHDC	2 x 2	
		Receipt of Income Arr. 1213	SODC	2	
		Receipt of Income Arr. 1213	VWHDC	2	
Building Control 1112	SODC	2			
Building Control 1112	VWHDC	2			
6.4	Data entry should be accurate.	Travel and Subsistence 1112	VWHDC	2	5
		Payroll 1213	SODC	1	
		Leisure Centres 1011	SODC	2	
6.5	Cases/claims/invoices should be processed in accordance with statutory and council policy timescales.	Sundry Debtors 1112	SODC	1	12
		HR Grievance Procedure 1011	SODC	1	
		HR Grievance Procedure 1011	VWHDC	1	
		Leader Project Assurance 1011	SODC	3 x 1	
				2	
		Housing & Council Tax Bens. 1213	SODC	1	
Housing & Council Tax Bens. 1213	VWHDC	1			
Licensing 1112	VWHDC	2			
6.6	Incorrectly paid monies should be recovered from officers/members.	Travel and Subsistence 1112	SODC	2	2
6.7	Charges should be reviewed on a regular basis to ensure costs are covered.	Pest Control 1011	SODC	3	7
		Mobile Home Parks 1213	VWHDC	2	
		Waste Mgt & Recycling 1112	VWHDC	2	
6.8	Checks should be made to ensure that correct fees are charged.	Stray Dogs 1011	VWHDC	3	7
		Facilities Management 1112	SODC	1	
		Facilities Management 1112	VWHDC	1	
		Mobile Home Parks 1213	SODC	1	
		Mobile Home Parks 1213	VWHDC	1	
6.9	Adequate financial records should be maintained.	Facilities Management 1112	SODC	1	11
		Election Payments 1112	SODC	1	
		Election Payments 1112	VWHDC	1	
		Creditor Payments 1213	SODC	2 x 1	
		Creditor Payments 1213	VWHDC	2 x 1	
		Mobile Home Parks 1213	SODC	1	
		Mobile Home Parks 1213	VWHDC	1	
Sundry Debtors 1112	SODC	2			

7. PERSONNEL

No	Recommendation Type	Audit Identified In	Council	Points	Recommendation Point Total
7.1	Training records should be up to date.	Health and Safety 1011	SODC	2	4
		Health and Safety 1011	VWHDC	2	
7.2	All officers/members should be trained in their role and corporate responsibilities.	Health and Safety 1011	SODC	1	38
				2 x 2	
		Health and Safety 1011	VWHDC	1	
				2 X 3	
		HR Recruitment 1011	VWHDC	1	
		Travel and Subsistence 1112	SODC	2	
		Travel and Subsistence 1112	VWHDC	2	
		HR Pro and Annual Leave 1112	SODC	1	
		HR Pro and Annual Leave 1112	VWHDC	1	
		Treasury Management 1213	SODC	1	
		Verification of Budget Savings 1112	SODC	1	
		Verification of Budget Savings 1112	VWHDC	1	
		Risk Management 1213	SODC	2 x 2	
		Risk Management 1213	VWHDC	1	
				2 x 2	
		Insurance 1213	SODC	1	
Insurance 1213	VWHDC	1			
Information Governance 1213	SODC	1			
Information Governance 1213	VWHDC	1			
Mobile Home Parks	VWHDC	2			
Cash Office 1011	SODC	1			
7.3	Professional staff should be appropriately accredited.	Health and Safety 1011	SODC	1	2
		Health and Safety 1011	VWHDC	1	
7.4	Staffing levels should be subject to scrutiny prior to each recruitment	HR Recruitment 1011	SODC	2	4
		HR Recruitment 1011	VWHDC	2	
7.5	Job descriptions should be up to date.	ICT 1011	SODC	2	14
		ICT 1011	VWHDC	2	
		Facilities Management 1112	SODC	2	
		Grounds Maintenance 1112	SODC	1	
		Grounds Maintenance 1112	VWHDC	1	
		Sundry Debtors 1112	SODC	1	
		Sundry Debtors 1112	VWHDC	1	
		Waste Mgt & Recycling 1112	SODC	1	
		Waste Mgt & Recycling 1112	VWHDC	1	
		2			
7.6	Relevant employees should have up to date CRB checks.	Leisure Centres 1011	SODC	3	10
		Leisure Centres 1011	VWHDC	3	
		Benefit Fraud 1213	SODC	2	
		Benefit Fraud 1213	VWHDC	2	

8. SEGREGATION OF DUTIES

No	Recommendation Type	Audit Identified In	Council	Points	Recommendation Point Total
8.1	A second officer should be present during a cashing up process.	Leisure Centres 1011	SODC	3	11
		Leisure Centres 1011	VWHDC	3	
		Cash Office 1011	SODC	1	
		Cash Office 1011	VWHDC	2	
		Facilities Management 1112	SODC	2	
8.2	Two officers should be present when opening post where valuable	Handling Postal Cash and Cheques 1011	VWHDC	3	3
8.3	Adequate segregation of duties should exist for the processing of	Facilities Management 1112	SODC	2	2
8.4	Adequate segregation of duties	Facilities Management 1112	SODC	1	1

CONSULTANCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
Spot check of internet usage	Completed	2 days	0.5 days	Section 151 Officer
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
HR Pro	Completed	2 days	3 days	ACGC Chairman

CONTINGENCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	N/A	N/A	N/A	N/A
SODC				
Planning policy	Completed	15 days	17.5 days	Strategic Director - Anna Robinson
VWHDC				
Planning - Development Control	In progress. Carry forward 2013/2014.	10	1 day 2012/2013	Chief Executive

SYSTEM DEVELOPMENT

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None	N/A	N/A	N/A	N/A
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
None	N/A	N/A	N/A	N/A

IA UNPLANNED WORK TOTALS		29	22	
SODC UNPLANNED WORK TOTALS		16	17.75	
VWHDC UNPLANNED WORK TOTALS		13	4.25	

SODC TOTAL AUDIT WORK 260.75 days
VWHDC TOTAL AUDIT WORK 252.75 days
TOTAL AUDIT WORK 513.5 days

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INTERNAL AUDIT FEEDBACK

APPENDIX 3

7 audit feedback questionnaires were returned for work completed in 2012/2013 (6 were received in 2011/2012). Responses were received from:

Benson Parish Council
Corporate Strategy
Economy, Leisure and Property
Finance
Health and Housing

AUDIT PLANNING AND SCOPE OF WORK

	Very Good	Good	Satisfactory	Poor	Very Poor	Did Not Answer
1. Consultation on the scope and coverage of the audit	5 (3)	2 (3)	0 (0)	0 (0)	0 (0)	0 (0)
2. Minimal disruption to daily activities	4 (2)	2 (3)	1 (0)	0 (1)	0 (0)	0 (0)

COMMUNICATION

	Very Good	Good	Satisfactory	Poor	Very Poor	Did Not Answer
3. Consultation and communication during the audit	5 (2)	2 (4)	0 (0)	0 (0)	0 (0)	0 (0)
4. Communication of audit findings and recommendations	7 (2)	0 (3)	0 (1)	0 (0)	0 (0)	0 (0)

QUALITY OF AUDIT REPORT

	Very Good	Good	Satisfactory	Poor	Very Poor	Did Not Answer
5. Clarity and conciseness of the audit report	5 (2)	2 (2)	0 (2)	0 (0)	0 (0)	0 (0)
6. Fulfilment of the audit scope and objectives	6 (3)	0 (2)	0 (1)	0 (0)	0 (0)	0 (0)
7. Accuracy, validity and significance of the audit findings	5 (2)	0 (2)	1 (2)	0 (0)	0 (0)	1 (0)
8. Audit recommendations - constructive, practical and logical	5 (2)	1 (1)	0 (2)	0 (0)	0 (0)	1 (1) No recs made

PROFESSIONAL PROFICIENCY

	Very Good	Good	Satisfactory	Poor	Very Poor	Did Not Answer
9. Professionalism of the auditor(s)	7 (2)	0 (4)	0 (0)	0 (0)	0 (0)	0 (0)
10. Advice given by the auditor(s)	6 (2)	1 (3)	0 (1)	0 (0)	0 (0)	0 (0)

GENERAL

	Very Good	Good	Satisfactory	Poor	Very Poor	Did Not Answer
11. Usefulness of audit in identifying risks and improving controls	5 (3)	2 (1)	0 (2)	0 (0)	0 (0)	0 (0)
12. Overall evaluation of the quality of the audit service provided	5 (2)	2 (4)	0 (0)	0 (0)	0 (0)	0 (0)

TOTALS

	Very Good	Good	Satisfactory	Poor	Very Poor	Did Not Answer
	65 (27)	15 (26)	2 (11)	0 (0)	0 (0)	2 (1)

OTHER COMMENTS RECEIVED

The audit process was smooth and painless and the post audit exit discussions were very helpful. The audit highlighted a risk that had been previously identified by the investigations team but was not enforced by another department. This audit adds weight to the risk identified and hopefully can be cross-referenced when the HR team are audited.

Dates changed from those originally planned, which it would have been useful to have more notice on, but apart from that the audit was very good.

We were very pleased with the way the audit was carried out and appreciated the friendliness and helpfulness of the auditors. We also recognise the very favourable rate. The audit was very thorough, such that a similar audit would only be needed every 4/5 years. Would you consider a 'light-touch' audit for the intermediate years?

It was very useful, as ever, to have this full internal audit. Our auditor identified areas to look at well and was swift at coming to a basic understanding of our business in order to be able to evaluate it. Thank you very much and thanks to Sheeraz for a very good audit process. The process was smooth and useful and the advice from the auditor was helpful. We are of course also pleased to have a positive audit report on our whole business with I hope a relatively minor number of low risk recommendations – which we are of course actioning.

Audit and Corporate Governance Committee



Report of Audit Manager

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To: Audit and Corporate Governance Committee

DATE: 9 July 2013



Internal audit activity report quarter one 2013/2014

Recommendation

(a) That members note the content of the report.

Purpose of report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

Background

2. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the councils' objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.

3 After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

4. Assurance ratings given by internal audit indicate the following:

Full Assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

Satisfactory Assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

Limited Assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

Nil Assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

5. Each recommendation is given one of the following risk ratings:

High Risk: Fundamental control weakness for senior management action

Medium Risk: Other control weakness for local management action

Low Risk: Recommended best practice to improve overall control

Internal Audit Activity

6. Since the last audit and corporate governance committee meeting, the following audits have been completed:

Planned Audits

Full Assurance: 3

Satisfactory Assurance: 3

Limited Assurance: 1

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Housing & Council Tax Benefits 12/13	Full	2	0	0	0	0	2	2
Pro-active Anti-Fraud 12/13	Satisfactory	1	0	0	1	1	0	0
Council Tax 12/13	Satisfactory	4	0	0	2	2	2	2
Capital Management & Accounting 12/13	Limited	10	0	0	3	3	7	6
Receipt of Income Arrangements 12/13	Satisfactory	2	0	0	2	2	0	0
Budgetary Control 12/13	Full	4	0	0	0	0	4	4
Development Management 12/13	Full	2	0	0	1	1	1	1

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
Verification of Budget Savings 11/12	Satisfactory	3	1	2	0	0
Discretionary Grants 12/13	Satisfactory	4	3	0	0	1
Carbon Management 12/13	Satisfactory	7	1	0	1	5
Seasonal Leisure Activities 12/13	Full	2	1	0	1	0
Information Governance 12/13	Satisfactory	3	1	0	1	1

7. Members of the committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.
8. A copy of each report has been sent to the appropriate head of service, the relevant strategic director, the section 151 officer and the relevant member portfolio holder. In addition to the above arrangements, reports are now published on the council intranet and committee members are alerted by e-mail when reports are published.
9. Internal audit continues to carry out a six month follow up on all non-financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

Systemic Control Weaknesses

10. **Appendix 2** of this report sets out weaknesses which have been identified within planned audits which internal audit consider to be systemic within the council. Every recommendation made by internal audit since April 2010 has been logged within a recommendation register according to an Institute of Internal Auditors control type definition, and a point system has been used - 1 point for a low risk recommendation, 2 points for a medium risk recommendation and 3 points for a high risk recommendation. The points have been totalled against each control type, and the top 10% control weaknesses which occur across a number of operational areas have been listed as a systemic control weakness. The table will be reviewed and updated by the audit manager, head of finance and the strategic director (section 151 officer) on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews

Financial Implications

11. There are no financial implications attached to this report.

Legal Implications

12. None.

Risks

13. Identification of risk is an integral part of all audits.

ADRIANNA PARTRIDGE
AUDIT MANAGER

1. CAPITAL MANAGEMENT & ACCOUNTING 2012/2013

1. INTRODUCTION

- 1.1 The fieldwork for this audit was undertaken in March 2013 and the final report was issued on 24 April 2013.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- There is adequate control over the migration of data from the excel based system to Agresso.
 - The council has an up-to-date Capital Financial Strategy and Asset Management Plan in order to develop and manage the capital programme.
 - Adequate monitoring is undertaken in relation to capital contracts and approved budgets.
 - Appropriate capital accounting arrangements are in place.
 - There is adequate authorisation of additions, disposals, write-offs, transfers and amendments of the asset register.
 - The asset register is regularly reconciled to other sources and adequate controls are in place over the completeness of the register.
 - The joint property and asset management system is suitably maintained and updated.

2. BACKGROUND

- 2.1 The council prepares annual financial statements which are subject to external review by Ernst and Young. The financial statements include details of the council's capital assets and related capital expenditure.
- 2.2 The council's capital assets are recorded on an asset register. The responsibility of accounting for capital items is shared between the principal accountant and accountant. The duty of managing each capital programme is allocated to a responsible officer. Capital monitoring reports are made available to cabinet quarterly. The statement of accounts for 2011/12 stated the property, plant and equipment is £28,765k and £195k for intangible assets.
- 2.3 A technologyforge (TF) system is used by the council, which is an electronic premises register to store detailed information on the council's physical assets. This went live on 4 April 2012.

3. PREVIOUS AUDIT REPORTS

- 3.1 Capital management and accounting was last subject to an internal audit review in February 2012 and nine recommendations were raised.

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A limited assurance opinion was issued.

- 3.2 No recommendations from the previous report have been implemented, and have been restated in this review (Rec 2 – 10)

4. 2012/2013 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Ten recommendations have been raised in this review (nine of which are restated from the 2011/2012 review), three medium risk and seven low risk.

5. MAIN FINDINGS

5.1 Data migration to Agresso

- 5.1.1 Asset data is currently being migrated from an excel based spreadsheet into a fixed assets (FA) module within the Agresso financial system. At the time of review, asset data had been loaded into the test FA system and officers were running a dummy closedown. If there are issues identified then it is unlikely the new FA system will be used for 2012/13 closedown although the system will be used at some point. Whilst there are plans to report on the migration, there is no formal action plan documenting the process. A recommendation from the previous audit review is restated (Rec 2). No further recommendations have been made as a result of our work in this area.

5.2 Strategy

- 5.2.1 Whilst there is a capital strategy for the period 2010/11 to 2014/15, officers have agreed this is no longer required and is instead covered by a Medium Term Financial Strategy (MTFS) and Asset Management Plan (AMP). The MTFS sets out the financial framework within which the council operates. The AMP is designed to ensure council property is managed effectively and efficiently. The AMP requires updating, and recommendations have been restated from the previous audit review (Recs 3 and 7-9). No further recommendations have been made from our work within this area.

5.3 Monitoring

- 5.3.1 Internal audit verified the capital programme (as part of the budget for 2012/2013) had received appropriate approval. The capital programme is clearly laid out with sections on both the approved and provisional programmes. Individual projects are detailed (i.e. descriptions and project managers). There were no significant concerns as a result of

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this review.

- 5.3.2 Capital programme project monitoring reports are now sent to senior management board (SMB) every quarter. From the review of the report structure there were no issues of concern. There have been no capital virements during 2012/2013 (as at audit date). There have been five SODC capital growth bids made and an additional three joint bids between SODC and VWHDC. Internal audit reviewed the process and are satisfied the bids have been documented and formally approved by both cabinet and council. There have been no significant capital projects which have ended in 2012/2013, but the system to ensure all projects are subject to a post-project review (although imminent) is still not in place. A recommendation has been restated from the previous review (Rec 4). No further recommendations have been made as a result of our work in this area.

5.4 **Accounting arrangements**

- 5.4.1 The responsible officers for management of capital accounting are set out in the council intranet pages. There is also budget setting and monitoring guidance notes which include capital processes. A detailed timetable is provided for the full budget setting process. There is also guidance on the shared finance drive on key capital accounting terms; however there are no procedure notes on the capital accounting processes. A previous year recommendation has been carried forward (Rec 5), no further recommendations have been made as a result of our work in this area.

5.5 **Disposals, write-offs, transfers and amendments**

- 5.5.1 The council's constitution requires the head of economy leisure and property to maintain an up to date register of all land and property owned or controlled by the council or in which the council has an interest. Internal audit reviewed 20 capital additions to check the additions were capital in nature and appropriately disclosed, e.g. disclosed in the correct time period. From the testing there were no issues of concern noted. The council constitution sets out the authorisation levels for disposals of land and property. A previous recommendation recommended that changes are needed to the constitution e.g. over the need for initial valuations for all disposals. The recommendation has not been implemented and has been restated as part of this review (Rec 6). There has been only one disposal in the year which has been adequately authorised and recorded on the general ledger. There have been no write offs, transfers and amendments in 2012/2013. No further recommendations have been made as a result of our work in this area.

5.6 **Asset register**

- 5.6.1 The fixed asset register is a spreadsheet held by the accountant. The

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asset register outlines the asset description, cost, depreciation charges and net book value and internal audit have concluded is appropriately documented. The accountant carries out an adjustment to the fixed asset register from the valuation report on a yearly basis. The asset register is used to provide the final accounts figures currently, and therefore there is no need for further reconciliation. A recommendation from the previous review has been restated (Rec 10). No further recommendations have been made as a result of our work in this area.

5.7 Property and asset management system

5.7.1 The ‘technologyforge’ (TF) system is an electronic premises register for storing detailed information on the council’s physical assets. The system went live 4 April 2012 as a replacement for the previous Access database. The council intranet pages include guidance on using the new system. On review from internal audit, it was concluded the user manuals were comprehensive, up to date and available to relevant users. The system has a comprehensive audit trail on changes made to records, activity by user profiles and security audit reports (which are reports on e.g. changes to user profile passwords). Internal audit reviewed the password parameters in place for TF and no obvious concerns were identified. Internal audit reviewed HR and the TF system records to ensure all new starters and leavers had been appropriately added or removed to the system. From this review, internal audit had no concerns.

5.7.2 The shared strategic property officer stated there was a complete check of all data held on the Access database to the new TF system. The officer confirmed there needs to be reconciliation process between the TF system and accountancy’s records. One recommendation has been raised as a result of our work in this area (Rec 1).

OBSERVATIONS AND RECOMMENDATIONS

PROPERTY AND ASSET MANAGEMENT SYSTEM

1. Property Database

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The property database is reconciled to fixed asset records regularly.</p> <p><u>Findings</u> There is no current reconciliation in place between the TF system and any other system, e.g. Agresso or the fixed asset register. On consultation with the shared strategic property officer it was agreed this issue needs to be</p>	<p>Undertake a reconciliation process to ensure there is consistency between the new TF system and other sources of information where required (e.g. asset register, general ledger, and property valuation)</p>	<p>Shared strategic property team leader</p>

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<p>reviewed.</p> <p><u>Risk</u> Incorrect information is held leading to misreporting of data.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>A lot of work was undertaken at the time the TF system was introduced to ensure the data from previous databases at South and Vale was accurately transferred. A technical assistant is currently being recruited to the Strategic Property Team and one of his/her main tasks will be to fully populate relevant data onto the TF system and check data is accurate and up to date. In respect of reconciliation to the fixed asset register, it is noted that this is due to be migrated to Agresso and so the reconciliation would best be undertaken on completion of that project.</p> <p>Management response: Shared strategic property team leader</p>		15 January 2014

PREVIOUS RECOMMENDATIONS 2011/2012

2. Specification

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a timetable and set of duties allocated for any transfer of data.</p> <p><u>Findings (2011/2012)</u> The council is to transfer fixed assets data from the Excel spreadsheet to a module within Agresso (the council's finance system). However, whilst a provisional high level timetable has been formulated, a detailed task list and allocation of duties has not yet been established.</p> <p><u>Findings (2012/2013)</u> The accountancy team are working with Mendip DC on the migration of data. The team have visited Mendip DC and are in discussions. There is a test system in place however a formal timetable has not been established.</p> <p><u>Risk</u> All roles and responsibilities are not completed in good time, leading to delays in the overall process.</p>	<p>Establish a detailed task breakdown and allocation for the migration of data to the new Agresso module.</p>	<p>Shared accountancy manager (revenue)</p>
Management Response 2011/2012		Implementation Date

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Recommendation is Agreed	31 July 2012
Management response: Shared accountancy manager (revenue)	
Management Response 2012/2013	Implementation Date
<p>Recommendation is Not Agreed</p> <p>Responsibility for the fixed asset project has now passed to the shared accountancy manager (technical). The project is being run by a small dedicated team within the technical section of the accountancy team. Regular (weekly or fortnightly) progress meetings take place (in which these issues are discussed) and <i>ad hoc</i> updates are routinely passed to the project manager, as well as documented action meetings with the Capita consultant from Mendip. However, due to circumstances and events outside of the project team's control, it has proved very difficult to implement to the required time schedule. These issues will be raised separately with the head of finance, but realistically to try and keep track of the project to a timetable would mean that more time is spent amending and updating the timetable than actually delivering the project. Therefore the recommendation is not agreed.</p> <p>Management response: Shared accountancy manager (technical)</p>	<p>Project now on hold to allow staff to concentrate of closedown work using spreadsheets.</p> <p>Project still planned to be implemented by 30 September 2013.</p>

3. Asset Management Plan

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The capital strategy and asset management plan are reviewed and approved annually.</p> <p><u>Findings (2011/2012)</u> The strategy covers the time period from financial year 2010/11 to 2014/15. The plan covers the period 2009 – 2012. Since its formulation there has been no subsequent review of the plan to reflect any changes which may have taken place. The council no longer intend to use the capital strategy and the asset management plan will be used instead.</p> <p><u>Findings (2012/2013)</u> There has been no action on this recommendation, and the plan is now out of date.</p> <p><u>Risk</u> If the capital strategy and asset management plan are not updated annually it may not reflect current needs.</p>	<p>Update the council Asset Management Plan (including Capital Strategy elements) on a regular basis.</p>	<p>Strategic property team leader and shared accountancy managers (revenue and technical)</p>

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Management Response 2011/2012	Implementation Date
<p>Recommendation is Agreed It is intended that a new asset management plan will be developed within the year 2012/13 by the strategic property team. However, matters relating to capital strategy will continue to be the primary responsibility of the finance team.</p> <p>Management response: Strategic property team leader</p>	<p>31 March 2013</p>
Management Response 2012/2013	Implementation Date
<p>Recommendation is Agreed Whilst progress is being made on production of a new asset management plan, this has not been completed and is carried forward into service delivery plan for completion during 2013/14. However matters relating to the capital strategy will continue to be the responsibility of the finance team.</p> <p>Management response: Shared strategic property team leader</p>	<p>31 March 2014</p>

4. Project appraisals

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All projects are subject to a timely appraisal on completion.</p> <p><u>Findings (2011/2012)</u> The Shared Strategic Property Team Leader stated that the Moorlands capital project which was completed in May 2011 did not have a post project review.</p> <p><u>Findings (2012/2013)</u> Through speaking to the programme support manager and shared accountancy manager (technical) internal audit understand the process of post-project evaluation is currently undergoing a restructure and will be part of the project management toolkit.</p> <p><u>Risk</u> If project appraisals are not carried out – the council may not be adopting best practice which could lead to an inefficient allocation of resources.</p>	<p>Complete a project appraisal for all capital programmes, where appropriate, on a timely basis.</p>	<p>Project managers, heads of service and service managers</p>

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Management Response 2011/2012	Implementation Date
<p>Recommendation is Agreed Project managers are responsible for their individual projects and this includes post-completion appraisals.</p> <p>Schemes for which post-completion appraisals have been carried out are denoted in the year end outturn capital programme report. Budget holders are responsible for advising accountancy once a post-completion appraisal has been completed.</p> <p>Management response: Head of finance</p>	<p>30 July 2012</p>
Management Response 2012/2013	Implementation Date
<p>Recommendation is Agreed Post project appraisal methodology is being developed by the councils' projects team as part of the project methodology toolkit. Accountancy have been involved in the process.</p> <p>Management response: Shared accountancy manager (technical)</p>	<p>31 March 2014</p>

5. Guidance notes

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There are appropriate, up-to-date, guidance notes for the responsibilities and duties over the accounting of capital items.</p> <p><u>Findings (2011/2012)</u> On discussion with the accountant, there are no guidance notes in place for the discharge of roles and responsibilities over capital accounting. However, there is a copy of CIPFA guidance "Module 4 – 'non-current assets'" which is a financial reporting guide.</p> <p><u>Findings (2012/2013)</u> There are no guidance notes on the capital accounting processes.</p> <p><u>Risk</u> If best practice is not be adhered to, particularly in the absence of key officers, it may lead to inappropriate accounting treatment of capital items.</p>	<p>Ensure there are appropriate guidance notes covering capital accounting requirements.</p>	<p>Shared accountancy manager (revenue)</p>
Management Response 2011/2012		Implementation Date
<p>Recommendation is Agreed This will be incorporated into the implementation of the fixed asset accounting module</p> <p>Management Response: Shared accountancy manager (revenue)</p>		<p>31 March 2013</p>

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Management Response 2012/2013	Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>Whilst the production of guidance notes is recognised as good practice, it is likely that resource constraints would not allow for these to be developed. No allowance for this kind of work was made in the fit for the future review of accountancy, and consequently no resource was identified for this sort of task.</p> <p>Management response: Shared accountancy manager (technical)</p>	<p>If resources allow.</p>

6. Constitution

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The constitution reflects all current practices at the council.</p> <p><u>Findings (2011/2012)</u> On review of the constitution, internal audit noted there is no clear authorisation path for book value of less than £5,000 and estimated value greater than £10,000.</p> <p>The constitution also states, for land, “all disposals an initial valuation must be provided by a qualified valuer: ” However, no initial valuation was carried for all disposals. Instead, a previous valuation report dated (31/03/09) was relied upon to attain the value for the disposal items.</p> <p>The Shared Strategic Property Team Leader has stated the need to refresh this section of the constitution.</p> <p><u>Findings (2012/2013)</u> There is now an authorisation path for a book value £5,000 and estimated value greater than £10,000. However the document still needs to be updated to reflect the use of valuations for disposals.</p> <p><u>Risk</u> Current practices do not comply with own council procedures.</p>	<p>Ensure the Constitution is updated to reflect current practices.</p>	<p>Strategic property team leader and head of finance</p>

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Management Response 2011/2012	Implementation Date
<p>Recommendation is Agreed There will be a review of the council’s constitution during 2012/2013, and this issue will be raised with democratic services as part of the review unless it can be dealt with more quickly.</p> <p>Management response: Strategic property team leader</p>	<p>Subject to timing of changes to constitution.</p>
Management Response 2012/2013	Implementation Date
<p>Recommendation is Agreed Strategic property team leader has asked the head of finance to consider changing the finance procedure rules (within the constitution) to accept valuations (for disposals) of not less than six months old. The timetable to ensure this is approved by council is currently July 2013.</p> <p>Management response: Shared strategic property team leader</p>	<p>30 July 2013</p>

7. Asset management action plan

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Action plan is reviewed and progress recorded against actions to demonstrate that adequate monitoring arrangements are in place.</p> <p><u>Findings (2010/2011)</u> Internal audit noted that the asset management action plan had not been reviewed or updated to reflect what progress had been made since the plan was written at 1 April 2009.</p> <p><u>Findings (2011/2012)</u> There has been no change to the asset management plan since the last review.</p> <p><u>Findings (2012/2013)</u> The plan is not up to date.</p> <p><u>Risk</u> Failure to review implementation of the action plan could undermine the efforts of heads of service and their ability to develop their strategies to incorporate and consider asset management.</p>	<p>The Asset Management Plan 2009-2012: Action Plan is reviewed on a regular basis to reflect any changes required.</p>	<p>Strategic property team leader</p>

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Management Response 2010/2011	Implementation Date
<p>Recommendation is Agreed The action plan will be discussed with the cabinet member following the forthcoming elections to incorporate their views.</p> <p>Management Response: Shared Strategic Property Team Leader</p>	31 December 2011
Management Response 2011/2012	Implementation Date
<p>Recommendation is Agreed The action plan will be reviewed as part of the production of the next asset management plan and will be updated as necessary. Officers will seek to put in place more robust arrangements to ensure regular review of the action plan occurs over the next asset management plan period.</p> <p>Management response: Strategic property team leader</p>	31 March 2013
Management Response 2012/2013	Implementation Date
<p>Recommendation is Agreed Essentially this action follows on from the production of an AMP - response as per previous year</p> <p>Management response: Shared strategic property team leader</p>	15 January 2014

8. Annual property report

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The annual property report should form an integral part of the reporting framework for the Council's asset management arrangements.</p> <p><u>Findings (2010/2011):</u> As part of the Asset Management plan arrangements the first annual property report (2009/10) had been produced in August 2010. At this stage the report has only been shared with the Head of Leisure, Economy and Property and the Economic Development Officer.</p> <p><u>Findings (2011/2012)</u> The Strategic Property Team Leader has stated the property report was not produced.</p> <p><u>Findings (2012/2013)</u> The annual property report is currently being developed and</p>	<p>Circulation of the annual property report should be considered, to ensure a comprehensive reporting framework which keeps officers and members informed of all issues relating to asset management and capital expenditure.</p>	<p>Strategic property team leader</p>

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<p>as yet has not been circulated.</p> <p><u>Risk</u> Failure to monitor and report on property as an inclusive part of the asset management arrangements could result in projects which include the councils assets not delivering to specification.</p>		
Management Response 2010/2011		Implementation Date
<p>Recommendation is Agreed The annual report will be discussed with the Shared Head of Economy Leisure and Property to establish the circulation requirements.</p> <p>Management Response: Shared Strategic Property Team Leader</p>		31 July 2011
Management Response 2011/2012		Implementation Date
<p>Recommendation is Agreed Whilst there is value in the production of an annual property report and its circulation to appropriate officers and members, this was not undertaken after the year ending 2010/11 due to other priorities and the resources available. However with the strategic property team in place a report will be provided in 2012/13, albeit in a shortened format.</p> <p>Management response: Strategic property team leader</p>		31 March 2013
Management Response 2012/2013		Implementation Date
<p>Recommendation is Agreed Due to other priorities this work has not been undertaken - the content of the report will be an item for the Asset Management action plan.</p> <p>Management response: Shared strategic property team leader</p>		15 January 2014

9. Date and ownership - asset management plan

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Plans are published with an effective date for quoted statistics and clearly state the owner and approver of the plan.</p> <p><u>Findings (2010/2011)</u> The Asset Management Plan contained statistics, such as 'the council holds an estate of 266 properties with a value in the order of £47.2 million', but did not state an effective date. The owner and authoriser of</p>	<p>Where the Asset Management Plan refers to statistics, it clearly states when these are valid. The plan should also include details of the plan owner and approver.</p>	<p>Shared Strategic Property Team Leader</p>

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<p>the plan was not stated.</p> <p><u>Findings (2011/2012)</u> There has been no change to the Asset Management Plan since the last review.</p> <p><u>Findings (2012/2013)</u> The plan is not up to date.</p> <p><u>Risk</u> If dates are not clearly provided then the information may be mistakenly interpreted as current.</p>		
Management Response 2010/2011		Implementation Date
<p>Recommendation is Agreed This will be incorporated into the next Asset Management Plan. The date this will be prepared is expected to be during 2011/2012 as the current plan is valid to 2012.</p> <p>Management Response: Shared Strategic Property Team Leader</p>		31 March 2012
Management Response 2011/2012		Implementation Date
<p>Recommendation is Agreed This will be incorporated into the next Asset Management Plan. The date this will be prepared is expected to be during 2011/2012 as the current plan is valid to 2012.</p> <p>Management Response: Shared Strategic Property Team Leader</p>		31 March 2012
Management Response 2012/2013		Implementation Date
<p>Recommendation is Agreed This recommendation will be incorporated into the production of the next asset management plan, which as indicated is carried forward into the service delivery plan for 2013/14</p> <p>Management response: Shared strategic property team leader</p>		15 January 2014

10. Valuation listings

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Where assets are listed such as lease but no value is attributed, an explanatory note should be provided.</p> <p><u>Findings (2010/2011):</u> A listing of assets and valuations is produced annually but does not provide explanation where some of the items listed have no value attached. For example Burcot</p>	<p>Explanatory notes are provided in the asset register valuation to explain listings which do not have a value stated.</p>	<p>Shared Strategic Property Team Leader</p>

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<p>Farm leased to SODC listed as non operational land/property has no value listed but garages leased at Gillots Hill Harpsden do have a value.</p> <p><u>Findings (2011/2012)</u> Internal audit on review of the fixed asset register - identified 97 cases where a nil value had no explanatory notes.</p> <p><u>Findings (2012/2013)</u> On review of the fixed asset register, this has not as yet been completed.</p> <p><u>Risk</u> If explanations are not provided where data appears inconsistent it may appear that there has been an omission or error in the details presented.</p>		
<p>Management Response 2010/2011</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>Management Response: Strategic Property Officer</p>		<p>31 March 2011</p>
<p>Management Response 2011/2012</p>		
<p>Recommendation is Agreed</p> <p>Officers consider this is a minor matter but accept that it was overlooked in the 2010/11 valuation report. We will incorporate explanatory notes into the 2011/12 end of year valuation report.</p> <p>Management response: Strategic property team leader</p>		<p>30 April 2012</p>
<p>Management Response 2012/2013</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>This should have been done but wasn't - to be honest if there is a query on any of the valuations then anyone in finance or elsewhere can obviously simply ask the question - this applies to any property/values not just those with nil value.</p> <p>Management response: Shared strategic property team leader</p>		<p>15 January 2014</p>

Background

The table below lists systemic control weaknesses which have been identified at either or both councils (SODC and VWHDC), from the internal audit reports issued in final since 1 April 2010. The table will be reviewed and updated by the audit manager, head of finance and the strategic director (section 151 officer) on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews.

Definition

A systemic control weakness is defined for the purpose of this table, as a significant control weakness which has been identified across a number of operational areas.

Methodology

Every recommendation made by internal audit has been logged within a recommendation register according to an Institute of Internal Auditors control type definition, and a point system has been used - 1 point for a low risk recommendation, 2 points for a medium risk recommendation and 3 points for a high risk recommendation. The points have been totalled against each control type, and the top 10% control weaknesses have been listed as a systemic control weakness according to their recommendation

Systemic control weaknesses as at 13 June 2013

No	Systemic control weakness	Council	Rec point total	List Entry Date	Movement Since Last Committee
1	Policies, procedures and guidance notes are not comprehensive, up to date and are not owned by a responsible officer.	Joint	184	01/08/11	Increase (1)
2	There should be regular reconciliation of information/data/items.	Joint	49	01/08/11	Increase (7)
3	Documents should be filed appopriately.	Joint	41	21/06/12	Same
4	Comprehensive and accurate management information should be available.	Joint	39	04/01/12	Increase (2)
5	There should be regular financial reconciliations.	Joint	39	05/06/13	<u>New</u>

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Audit and Corporate Governance Committee



Report of Audit Manager

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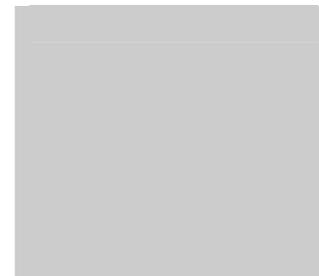
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To: Audit and Corporate Governance Committee

DATE: 9 July 2013



Internal audit management report quarter one 2013/2014

Recommendation(s)

- (a) That members note the content of the report

Purpose of report

1. The purpose of this report is:
 - to report on management issues within internal audit;
 - to summarise the progress against the 2013/2014 audit plan up to 13 June 2013; and
 - to summarise the priorities for quarter two 2013/2014.
2. The contact officer for this report is Adrianna Partridge, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic objectives

3. Managing our business effectively.

Background

4. The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 states that the head of internal audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the broad resources required to deliver the plan.
5. The CIPFA Code also states that the audit committee should approve the annual internal audit plan and monitor progress against the plan. This Committee approved the annual internal audit plan on 20 March 2013.

Management issues

6. An interim audit manager has been appointed and the 12 month fixed term contract (3 days a week) is expected to start on 22 July 2013. Comprehensive management handover arrangements are in place.

Progress against the 2013/2014 audit plan

7. Progress against the approved audit plan has been calculated for the quarter and year to date and is summarised in **appendix 1** attached.
8. Performance figures are as follows:

	Target	YTD	Q1 12/13	Q2 12/13	Q3 12/13	Q4 12/13
Chargeable (identifiable client and/or specific IA deliverable)	73%	65.5%	65.5%	-	-	-
Non-Chargeable (corporate, not IA deliverable)	8%	7.5%	7.5%	-	-	-
Lost (i.e. leave, study, sickness)	19%	26.5%	26.5%	-	-	-

9. As at 13 June 2013 the status of audit work against the 2013/2014 audit plan is as follows:

Planned

Strategic, operational and financial assurance work known and approved by the Audit and Governance Committee.

2013/2014	Planned	Complete	Draft	In progress	To commence
PLANNED	30	0	4	4	22
Joint	27	0	3	4	20
SODC	2	0	1	0	1
VWHDC	1	0	0	0	1

Adhoc

Unplanned project work based on agreed terms of reference with the audit manager (i.e. implementation of new systems) and responsive work issued and agreed by the section 151 officer, members or senior management team (i.e. investigations).

2013/2014	Requested	Complete	Draft	In progress	To commence
ADHOC	1	0	0	1	0
Joint	0	0	0	0	0
SODC	0	0	0	0	0
VWHDC	1	0	0	1	0

Follow up

Work undertaken to ensure that agreed recommendations have been implemented. The number of follow-up audits is a rolling number, all internal audit reports are followed up after six months.

2013/2014	Requested	Complete	Draft	In progress	To commence
FOLLOW-UP	21	10	0	2	9
SODC	11	5	0	1	5
VWHDC	10	5	0	1	4

Priorities for 2013/2014 quarter two (July 2013 – September 2013)

10. The priority for quarter two is to:
 - complete effective handover to interim management cover.
11. Remaining 2013/2014 planned audit work can be reviewed in **appendix 2**.

Financial implications

12. There are no financial implications attached to this report.

Legal implications

13. None.

Risk implications

14. Identification of risk is an integral part of all audits.

ADRIANNA PARTRIDGE
AUDIT MANAGER

CONSULTANCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None				
SODC				
None				
VWHDC				
None				

CONTINGENCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None				
SODC				
None				
VWHDC				
S106 Calculated Sums	In Progress	10 days	N/A	Chief Executive

SYSTEM DEVELOPMENT

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None				
SODC				
None				
VWHDC				
None				

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Audit and Corporate Governance Committee Report



Report of Head of HR, IT & Customer Services

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To: AUDIT & CORPORATE GOVERNANCE COMMITTEE

DATE: 9 July 2013



Business continuity and risk management strategy update

Recommendations

We invite Audit and Corporate Governance Committee to approve the business continuity strategy and risk management strategy for 2013 to 2016.

Purpose of report

1. The purpose of this report is to provide committee with the updated business continuity strategy and the risk management strategy for 2013 to 2016.

Relationship with corporate plan

2. Having effective business continuity arrangements in place will help the council in meeting its strategic objective of 'effective management of resources'.

Background

3. At the last meeting of this committee on 19 March 2013, we presented our annual update report on business continuity and risk management. We advised that the

updated strategies needed committee approval and that we would be presenting them at the next committee meeting.

The difference between business continuity and risk management

4. Business continuity is the process of continuing to provide public services if a disruption or other unforeseen event occurs.
5. Risk management is the process of understanding risks to the councils' operations, and acting to reduce their likelihood and/or consequence.

Business continuity strategy

6. In compliance with the Civil Contingencies Act 2004 and accompanying regulations, we are required to 'assess the risk of an emergency occurring and to maintain plans for the purpose of ensuring that if an emergency occurs, the councils are able to perform their functions'. In other words, we need to ensure that we would be able to continue to deliver our services to residents in the event of a disruption.
7. This committee recommended the business continuity strategy for 2009 to 2012 for approval to Cabinet on 13 January 2010. It was approved by Cabinet on 8 February 2010.
8. The approach to business continuity adopted by both councils is described in the updated joint business continuity strategy for 2013 to 2016 accompanying this report. This:
 - outlines the councils' approach to business continuity
 - illustrates our business continuity arrangements
 - describes the documentation used as part of our arrangements
 - describes disruption scenarios
 - provides guidance on recovery strategy elements
 - sets out how plans are tested, maintained and reviewed
 - provides an overview of the key roles, responsibilities and structures in place for our business continuity arrangements
 - complies with government guidance and Statutory Instruments relating to business continuity
9. We have updated the strategy to reflect current arrangements and to take into account name changes. There are no significant amendments within the strategy.
10. Please note that we need to review target recovery times for IT as systems and priorities have changed. This will be included as part of the work to refresh IT infrastructure.

Risk management strategy

11. This committee recommended the approval of the risk management strategy for 2009 to 2012 to Cabinet on 29 June 2009. It was approved by Cabinet on 2 July 2009.
12. The risk management approach adopted by both councils is described in the updated joint risk management strategy for 2013 to 2016 accompanying this report. This:
 - outlines the councils' approach to risk management
 - sets out the contribution of risk management to the effective management of the councils
 - sets out the means of identifying, analysing, managing, controlling and monitoring risks
 - provides an overview of the key roles, responsibilities and structures in place for managing risk
 - helps the councils meet their corporate priorities, local and national targets, improve service delivery and support better project management
 - achieves better decision making through an understanding of relevant risks
 - protects the councils' assets, including property, equipment, vehicles etc and reduce associated losses
 - complies with government guidance and Statutory Instruments relating to risk management
 - maintains effective control of public funds, minimise waste, fraud and poor value for money
13. We have not made any significant changes to the updated strategy.

Financial, legal and any other implications

14. There are no financial or legal implications arising from this report, other than to note that by having business continuity arrangements in place, the council is meeting its obligations under the Civil Contingencies Act 2004.

Conclusion

15. The adoption of the updated strategies will help the councils to:
 - continue public services in the event of a business disruption
 - embed business continuity arrangements by setting out the means of continuing service delivery in the event of a disruption
 - meet their strategic and operational objectives and improve service delivery
 - simplify arrangements and achieve economies of effort through having a single process at both councils
 - comply with the Civil Contingencies Act 2004 and audit regulations
 - embed the risk management process by setting out the means of identifying and managing risks

- meet their strategic and operational objectives, improve service delivery and support better project management

Recommendation

16. We invite Audit and Corporate Governance Committee to approve the business continuity strategy and risk management strategy accompanying this report.



Listening Learning Leading

Business continuity strategy



2013 – 2016

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1 – Why this strategy is needed

1. The Civil Contingencies Act 2004 (the Act) and accompanying regulations fundamentally affect the arrangements for civil contingency planning. The Act replaced outdated legislation governing emergency planning. The aim of the Act is to "improve UK's resilience through working with others to anticipate, assess, prevent, prepare, respond and recover" from an emergency.
2. Under the Act district councils are "category one" responders on a par with county councils. Category one responders are those organisations at the core of emergency response, for example, emergency services and local authorities. As category one responders, both councils are subject to the full set of civil protection duties. These duties require the councils to:
 - assess the risk of emergencies occurring and use this to inform contingency planning
 - put in place emergency plans
 - put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency
 - share information and co-operate with other local responders to enhance co-ordination and efficiency
 - provide advice and assistance to businesses and voluntary organisations about business continuity management
 - put in place their own business continuity management arrangements.
3. Both councils have addressed the first five of these through their emergency plans and by a formal agreement with Oxfordshire County Council to co-operate, communicate effectively and share information, to carry out joint risk assessment and planning where appropriate and to provide advice and assistance to external organisations. Cabinet approved this agreement on 8 December 2005 and Executive delegated authority to the Monitoring Officer and Solicitor to enter into the agreement on 4 November 2005.
4. Under the Act, the sixth of these points requires councils to "maintain plans for the purpose of ensuring, so far as is reasonably practicable, that if an emergency occurs the person or body is able to continue to perform his or its functions". We are meeting this requirement through production of this joint strategy and by having business continuity plans in place at both councils.
5. Having business continuity arrangements in place will enable the councils to continue providing essential services to residents, following a disruption or emergency. This strategy sets out the main elements of business continuity management at both councils. The types of disruptions and emergencies that could affect the councils, and how we will address them, are discussed in this strategy.
6. This business continuity strategy addresses the arrangements for the first two weeks of a disruption. If a disruption is longer than two weeks, the first two weeks will be used to identify alternative arrangements and service provision.

2 – Aim of the strategy

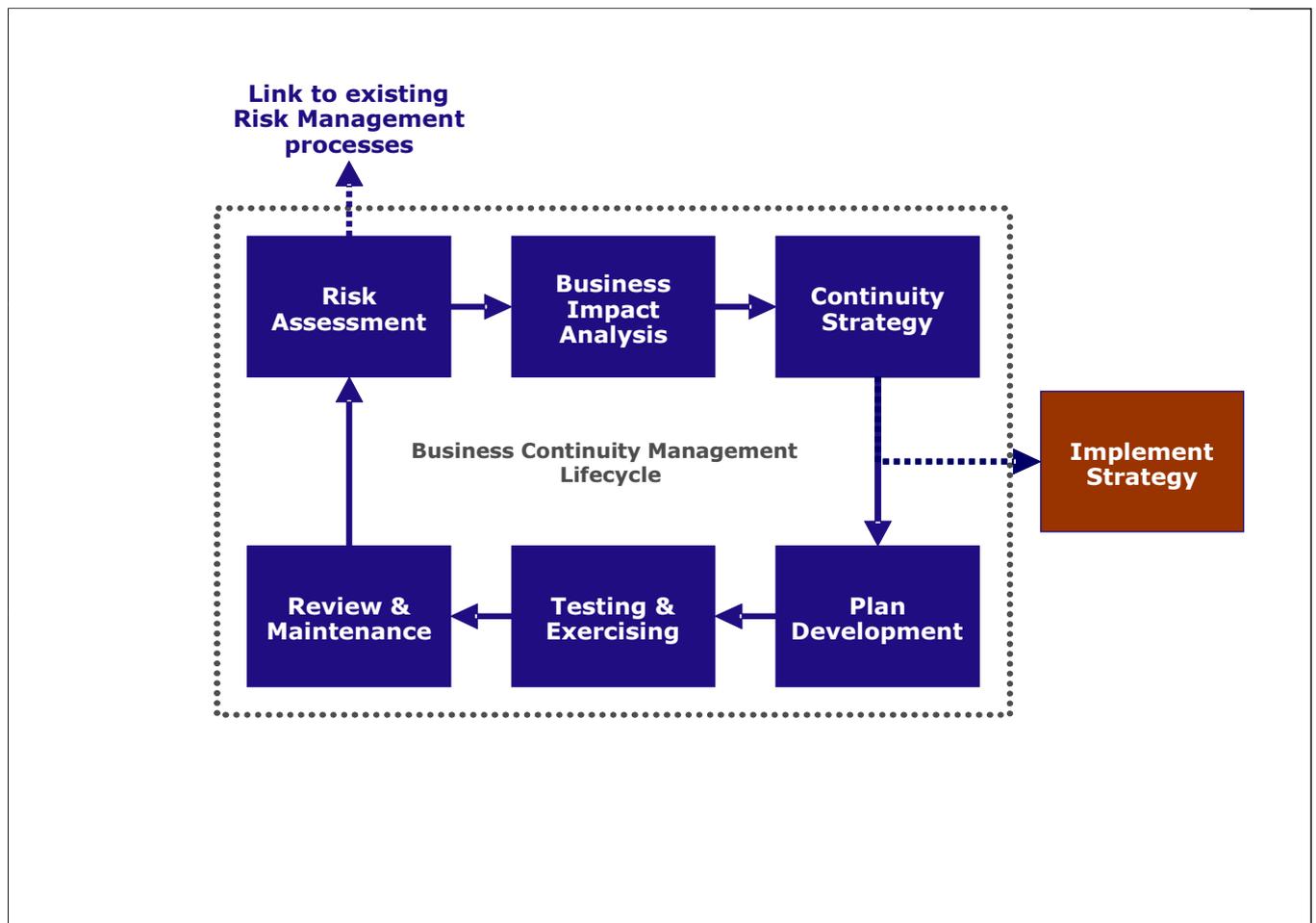
The aims of this strategy are to:

- help ensure the continuity of service provision in the event of a business disruption
- save time and reduce any initial confusion
- preserve both councils' image and reputation
- minimise general disruption to life in both districts
- ensure corporate co-operation over service priorities
- minimise the social, political, legal and financial consequences of the incident.

3 – Our approach to business continuity

PROCESS

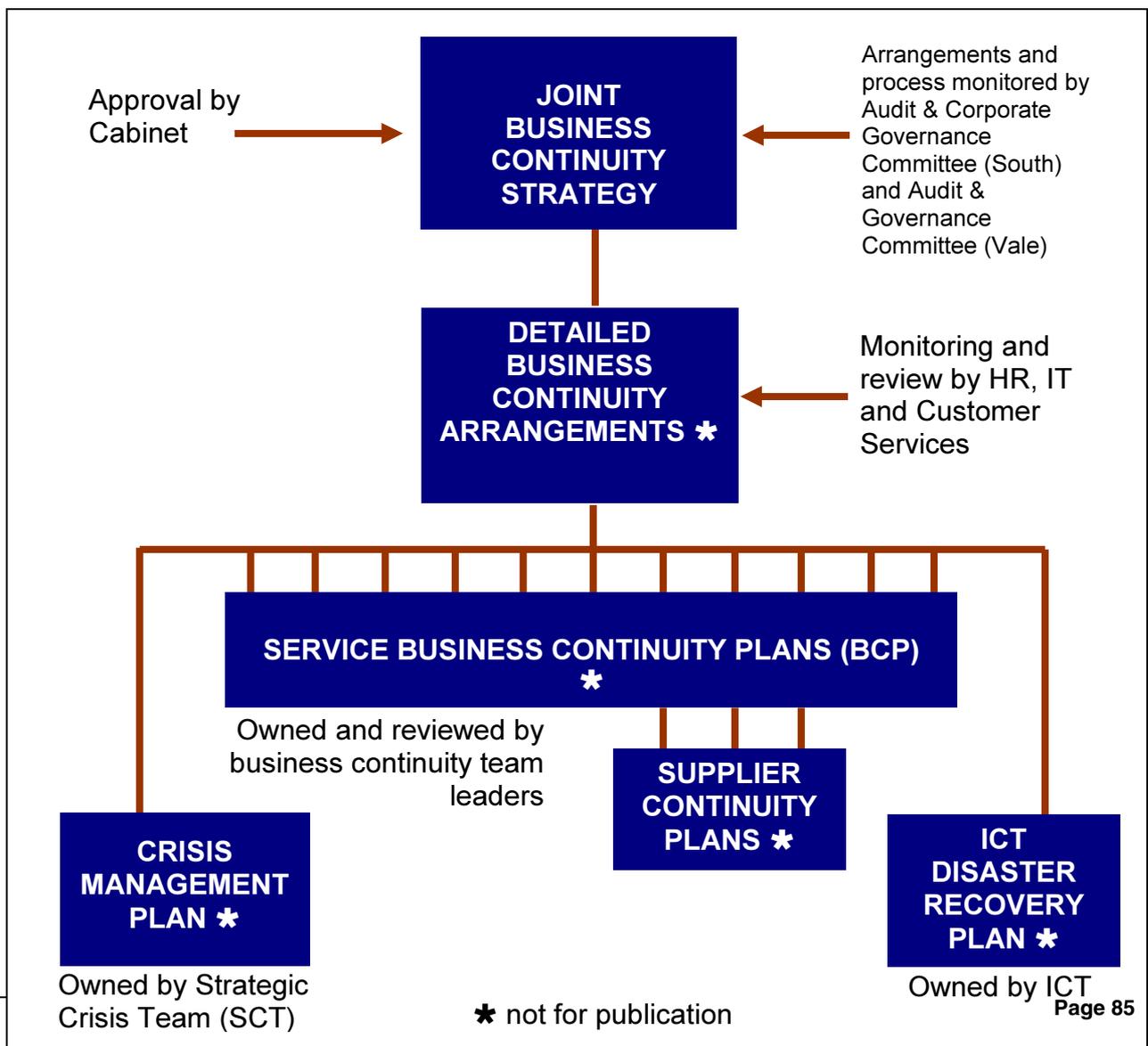
7. The diagram below shows schematically the process by which we manage business continuity.



8. This shows that our approach to business continuity begins with a risk assessment using our existing risk management process.
9. The second stage is a business impact analysis where heads of service and line managers identify critical functions, activities, key staff and key suppliers. These are categorised into priorities one, two, three and so on.
10. Stages three and four are the development of this strategy and a set of business continuity plans along with a crisis management plan, and ICT disaster recovery plan, as illustrated below.
11. Stages five and six involve a desk-top walk-through of each plan with the officers involved, test exercises, and regular review and updating of all the plan documents.

STRUCTURE

12. Our business continuity arrangements are illustrated in the following diagram and together, the plans provide a flexible framework for recovery from disruptions. They are straightforward guides designed for use by the officers involved in reinstating council services after a business disruption. A parallel ICT disaster recovery plan provides for the recovery of essential computer, systems and telephony.



13. As some of our services are outsourced, it is important that the business continuity arrangements with suppliers are part of our plan. We have a policy, implemented for new contracts during the tendering process, which requires key suppliers to have business continuity arrangements in place. The pre-qualification questionnaire used for all major procurement asks for details of the supplier's business continuity arrangements and this information is assessed as part of the tender evaluation.

DOCUMENTATION

14. This document is the joint business continuity strategy for South Oxfordshire District Council and Vale of White Horse District Council.

15. We have produced a separate document containing our detailed business continuity arrangements. Because the release of this information into the public domain could compromise these arrangements, this information is not for publication and is not included within this strategy document.

16. Each service generally has two business continuity plans (BCP), one plan for each council. There can be more if the service contains widely differing functions from a business continuity perspective (e.g. Cornerstone is a separate function within the Economy, Leisure and Property service and therefore should have a plan of its own). Each service has designated one or more senior members of staff to be business continuity team leaders, who will take the lead on implementing their BCP in the event of a disruption. BCPs are not for publication.

17. Both councils have the same Strategic Crisis Team (SCT) whose role is to take the lead in directing and implementing our business continuity arrangements. The SCT is made up of senior managers who can call on other expertise likely to be needed in the event of a disruption, such as human resources, facilities, ICT and communications. The SCT will use the Crisis Management Plan to help manage business continuity in the event of an incident.

18. Both councils also have an ICT Disaster Recovery Plan the aim of which is to restore essential computer, systems and telephony services, either on-site or at a remote Disaster Recovery Centre, depending on the nature and duration of the disruption.

DISRUPTION SCENARIOS

19. The approach to developing business continuity plans is to firstly identify different disruption scenarios (this section), and then plan how to deal with them (next section).

20. A number of incidents can affect council operations for example fire, flood, server failure, acts of terrorism, flu pandemic or prolonged loss of power. Each of these could result in a disruption. We have grouped disruptions into four categories:

- council building - denial of access to the building or loss of building
- failure of IT or telephone system
- failure of critical supplier
- unavailability of key or sufficient staff

Council buildings

21. Following a business disruption or incident, either council's building could be inaccessible for two main reasons:
- denial of access, meaning that though systems and services are unaffected, staff are unable to gain access to the building. This could happen following incidents such as a security threat, environmental contamination, or a serious event nearby
 - fire, flood or structural damage could damage or destroy all or part of the building. This could also affect systems within the building
22. The plans address alternative accommodation and recovery of systems, and will be similar irrespective of the above reasons.

Failure of critical IT service or system

23. Some or all critical IT or telephone systems could be unavailable, for example a server failure or network problem, or cutting of a communications cable supplying the council offices.

Failure of a critical supplier

24. Both councils rely upon a number of key suppliers to provide important services. Examples of supplier disruption are a supplier going into liquidation, or a fire affecting the premises they operate from.

Unavailability of key or sufficient staff

25. Staff that support business critical activities could become unavailable. Examples are personal injuries to key members of staff or pandemic flu affecting a group of staff.

RECOVERY PROCEDURES

26. In any disruption scenario, the Strategic Crisis Team will meet to decide whether to invoke business continuity plans, and will consider the nature, extent, likely duration and prognosis of the disruption.

Accommodation

27. The recovery strategy in the event of a disruption affecting the council offices at Crowmarsh Gifford and Abbey House, Abingdon is that:
- staff required to perform priority activities will relocate to their designated recovery location (see below)
 - staff who have not been allocated places will be asked to stay at home and work there or remotely if required.
28. If part or all of either council buildings are not in use or access is denied, alternative back up sites are available:

- a command centre has been identified to accommodate the Strategic Crisis Team to co-ordinate the council's response to the disruption and manage the recovery of the business
- staff performing specific functions will operate from locations such as other council premises i.e. Abbey House and vice versa
- other staff that don't perform critical functions will be asked to work from home.

ICT systems and services

29. Both councils have to be able to respond and recover from a disruption to their Information and Communications Technology (ICT) infrastructure. We have identified the IT systems critical to council services and the recovery of most systems is included in the ICT business continuity plan. The recovery of systems run by our contractors e.g. Capita, are included in their business continuity arrangements. Details of replacement servers, workplaces and telephony at the remote recovery centre are included in the IT disaster recovery plan.

Critical suppliers

30. Each council is heavily dependent on key suppliers to fulfil its obligations and our strategy is to identify the key suppliers responsible for delivering priority one services.
31. These key suppliers will be required to provide details of their business continuity plans during the tender process. Assessment of their approach to business continuity will form part of the tender evaluation. The successful contractor will be required to put in place arrangements to recover the respective council's services.
32. In addition, heads of service will identify alternative suppliers for each service (if feasible and cost effective), in their business continuity plans.

People issues

33. Key people are those identified as being critical to the completion of key activities. This depends on people's key skills, knowledge and qualifications and whether these are available elsewhere in either council or from an outside source. BCPs will include lists of key members of staff and how the respective council will continue to provide the function they carry out. BCPs also address a large scale absence scenario where insufficient staff are available to provide priority services.

TESTING AND EXERCISING

34. To ensure that all business continuity arrangements are viable, and that staff are rehearsed in the role they may have to take at the time of a disruption, there will be a schedule of tests and exercises. While the overall objective is to prove the effectiveness of the arrangements, each test will have its own objectives.
- a walkthrough of the crisis management plan – to ensure the strategic crisis team are familiar and content of their plan
 - a walkthrough of the business continuity plans – to ensure plan holders are familiar with the format and content of their plan

- a rehearsal for the strategic crisis team – to lead the team through a realistic, simulated disaster scenario
- a business continuity exercise – to ensure that all plans are tested against a realistic, simulated disaster scenario
- a call-out cascade test – to ensure all members of staff can be contacted in an emergency

MAINTENANCE AND REVIEW

35. To ensure the effectiveness of the business continuity arrangements does not decay over time, there will be a formal process for keeping the arrangements up to date. The process for review and maintenance will include:

- an annual review of the business continuity strategy by HR, IT and customer services
- an annual review of the 'Detailed Business Continuity Arrangements' to ensure that any change to recovery requirements is captured and can be met. The review will be led by HR, IT and Customer Services
- a quarterly review and update of the Crisis Management Plan
- a quarterly review and update of each service area's business continuity plan, with regular amendments being made to account for new starters and leavers

4 – Conclusion

36. Both councils recognise the importance of business continuity management so they are able to respond to an emergency or disruption. Our arrangements meet the requirements of the Civil Contingencies Act 2004 and provide peace of mind that either council can still provide essential services to residents following a disruption.

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Listening Learning Leading



Risk management strategy

2013 – 2016

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1 – Context

SCOPE

1. This is a combined risk management strategy for South Oxfordshire District Council and Vale of White Horse District Council.

WHAT IS RISK MANAGEMENT?

2. Risk can be defined as the possibility of something happening, or not happening, that would have an impact on an organisation's ability to meet its strategic or operational objectives. All organisations exist to achieve their objectives. The purpose of risk management is to manage the barriers to achieving these objectives.
3. Risk management can be defined as the process of identification, analysis, prioritisation, management and monitoring of risks, and any resulting actions, which would reduce the likelihood or impact of the risk occurring. Risk management is thus a strategic tool and is an essential part of the effective and efficient management and planning of the councils' operations.

LOCAL AND NATIONAL DRIVERS

4. There are a number of local and national factors that drive risk management.

Business improvement and performance management

5. Effective risk management enables the councils to identify, prioritise and manage barriers in the achievement of strategic objectives, corporate priorities, targets and service plan actions. It also supports the organisation in taking and managing significant risks to increase confidence and ability to successfully deliver innovative and challenging projects. Risk management helps to enhance performance and to demonstrate commitment to continuous improvement.

Corporate governance framework

6. Risk management and assurance form part of the corporate governance for local authorities. It involves ensuring that risk management is embedded into the culture of the authority; with councillors and officers at all levels recognising that risk management is part of their role within the council. The Accounts and Audit Regulations 2003 require us to be responsible for ensuring that we have a sound system of internal control which facilitates the effective exercise of the councils' functions and which includes arrangements for the management of risk and measures to ensure that risk is appropriately managed. We have to demonstrate these arrangements in the Annual Governance Statement.

Civil Contingencies Act 2004

7. In addition, the Civil Contingencies Act 2004, places a duty on councils to assess the risk of an emergency occurring and to maintain plans for the purpose of ensuring that if an emergency occurs, the councils are able to perform their functions. Both councils are already meeting the requirements of this Act by each having a joint business

continuity strategy (separate to the risk management strategy), an emergency plan and business continuity arrangements.

2 – Risk management outcomes

8. We implemented a rationalised risk management approach and in 2009, we produced a combined risk management strategy for South Oxfordshire District Council ("South") and Vale of White Horse District Council ("Vale"). We have now updated this strategy to cover the next three years, 2013 to 2016.

CORPORATE PRIORITIES

9. Effective risk management contributes towards both councils' ability to meet their corporate priorities by:
- identifying barriers to achievement and implementing actions to reduce the likelihood or consequences of potential risks occurring
 - a greater awareness and understanding of potential risks and their ability to be controlled will help the councils become less risk averse
 - improving service planning through a risk based decision making process, resulting in prioritised actions that focus on managing risks and directing resources to achieve maximum benefit and value for money.

RISK MANAGEMENT STRATEGY - DESIRED OUTCOMES

10. The intended outcomes resulting from implementation of this strategy are to enable both councils to:
- comply with government guidance and statutory instruments relating to risk management
 - have a strategic approach to risk management which is supported by councillors, management and staff
 - have a simple view of risks on a service basis with the knowledge and confidence that risks are being managed or reduced within each service area
 - have a clear risk management process and standards that managers support and understand
 - formally use the risk management process for all key decisions
 - integrate risk management into normal business practices
 - have the ability to demonstrate that risk management is embedded in business processes, including strategic planning, financial planning, policy making and review, performance management and project management.

3 – Approach

ROLES AND RESPONSIBILITIES

11. A senior officer takes responsibility for embedding risk management throughout each council. Heads of service, service managers, risk champions and staff all have specific responsibilities. These are detailed in appendix 1.
12. The risk management process is coordinated by the shared risk and information officer. Each service has a risk champion, which can be the head of service but is often a nominated officer who has a broad understanding of the service's operations and projects. The risk champion acts as the point of contact for risk management enquiries, coordinates the risk review process, regularly reviews the risk register and ensures risk mitigating actions are taken.
13. Councillor responsibility for corporate risk management is identified in the terms of reference of the Audit and Corporate Governance Committee (ACGC) (South) and Audit and Governance Committee (AGC) (Vale). The committees provide effective challenge of the risk management process and outcomes.

METHODOLOGY

14. The risk management process in place at both councils has been guided by the Zurich Municipal Management Services (ZMMS) STORM[®] methodology (Strategic and Organisational Risk Management). This is a structured, systematic methodology for identifying, analysing, prioritising, managing and monitoring risk at both strategic and operational levels. The five stages are summarised in appendix 2.

RISK REGISTERS

15. Each council maintains separate registers of their strategic and operational business risks, which:
 - link risks to strategic objectives
 - assess both the gross and net risks for likelihood and impact
 - assign named individuals to lead on actions identified to mitigate (reduce the likelihood and/or consequences of) each risk.
16. Each service has its own operational risk register and the risk champion records the risks identified by their team. Heads of service endorse their specific risk registers when they are updated and the risk management process ensures that we review and update the operational risk registers on a quarterly basis.
17. Strategic management board (SMB) are responsible for the strategic risk registers and we present them periodically to ACGC (South) and AGC (Vale) on a regular basis.

PARTNERSHIP WORKING

18. The councils' risk management process considers and manages risks in relation to significant partnerships. Strategic management board reviews the risks of joint working, collaborations and partnerships which includes joint service delivery with the councils' main contractors and organisations in the public and private sector.

BUSINESS CONTINUITY

19. The Civil Contingencies Act 2004 places duties on the councils to assess the risk of an emergency occurring and to maintain plans for the purpose of ensuring that, if an emergency occurs, the councils are able to continue to perform their functions. In response to this requirement, South and Vale have a joint business continuity strategy in place and the councils have a joint Emergency Plan.

20. Our existing business continuity arrangements ensure that both councils have a crisis management plan and a set of service business continuity plans in place. The purpose of these plans is to set out a process for continuing to provide public services in the event of a disruption to the councils' normal operations. The plans are designed to be implemented in the event of any significant disruption. The crisis management plan is owned by a strategic crisis team (SCT), made up of members of strategic management board and other key officers, whose role is to provide overall direction in recovery of service activities, to make decisions on the councils' priorities and coordinate resource requirements across the organisation. Each service team has its own business recovery team with sufficient resilience to implement the business continuity plan in the event that one or more team members are unavailable. These plans are reviewed every quarter and updated when necessary.

21. We need to obtain assurance on the viability of our significant contractors' and partners' business continuity plans and because we outsource many of our services, business continuity arrangements with suppliers are to be included in the plans. At both councils, the pre-qualification questionnaire used for all major procurements asks for details of the supplier's business continuity arrangements and we assess this information as part of the tender evaluation. There is a standard contract term that requires key suppliers to have business continuity arrangements in place.

TRAINING

22. All those involved in the organisation's risk management arrangements are given relevant training and guidance. The risk champions within each service will be suitably trained to enable them to take responsibility for managing risk within their area and provide assurance to their head of service that risks are being managed effectively.

REVIEW AND REPORTING

23. The risk management approach and the supporting procedures are reviewed and updated at least annually.

24. Strategic management board review the councils' strategic risk registers on an annual basis and review the operational risk registers regularly, noting any risk mitigating actions that have not been implemented.

25. We will periodically present the strategic risk registers to South ACGC and Vale AGC accompanied by an annual report on how strategic and operational risks are being managed. Both committees will review an annual report as part of the annual governance statement.
26. Committee reports to support strategic policy decisions, and initiation documents for all major projects, include the requirement and guidance for carrying out a risk assessment.

Appendix 1 – Roles and responsibilities

27. This appendix describes the roles and responsibilities that councillors and officers play in introducing, embedding and owning the risk management process.

CHIEF EXECUTIVE AND STRATEGIC MANAGEMENT BOARD

28. The overall responsibility for effective governance and risk management in both councils lies with the chief executive, who, supported by the other members of strategic management board will:

- provide strategic leadership, direction and oversight of the risk management process
- promote, demonstrate and embed risk management within the council as part of usual activities, including the sharing of best practice and experience between services
- actively identify, assess and monitor strategic risks on a regular basis
- ensure that appropriate training is provided to enable staff to carry out their duties as defined in the risk management strategy
- conduct reviews of the operational risk register
- the chief executive is required to agree and sign the annual statement of internal control (assurance statement).

29. Individual strategic directors are responsible for developing relevant action plans for the key risks identified within the strategic risk register.

HEADS OF SERVICE

30. All heads of service are responsible for:

- actively identifying, assessing and monitoring operational risks on a regular basis
- ensuring that risk assessments of operational activities are undertaken in their service areas, and that risks identified are prioritised and entered onto the risk register
- highlighting any emerging trends and unacceptable risks and providing actions plans for elimination or minimisation of such risks
- incorporating risk management actions into service delivery plans where appropriate
- ensure that there are policies, protocols and procedures in place that are communicated to and followed by staff to minimise risks
- ensure all staff, contractors (both on-site and off-site) and members of the public are informed of any risks that they may be exposed to and the action that has been taken to reduce or eliminate them
- ensuring adequate communication, training, assessment, monitoring and proactive action is taken with regard to risks

- ensuring that where incidents have occurred, they are reported, practices reviewed, and where appropriate, procedures and activities changed based on current best practice
- ensuring that the risk management process is part of all major projects and change management initiatives
- where appropriate in reports written for councillors, to include a risk assessment of the options presented for a decision
- appoint a service risk champion and ensure that they have adequate skills, training, resources, information, knowledge and supervision to undertake their duties
- ensuring that all staff working within their service receive adequate training to enable them to work safely and discharge their responsibilities under the risk management strategy.

LINE MANAGERS

31. All line managers are responsible for:

- implementing this strategy at team level by ensuring adequate communication, training and the assessment and monitoring of risks
- undertaking risk assessments throughout their area of responsibility, and that risks identified are prioritised and entered onto the risk register
- highlighting any emerging trends and unacceptable risks and providing actions plans for elimination or minimisation of such risks
- ensuring that policies, protocols and procedures are communicated to staff and are followed
- ensure all staff, contractors (both on-site and off-site) and members of the public are informed of any risks that they may be exposed to and to the action that has been taken to reduce or eliminate them

OFFICERS

32. All officers are responsible for:

- considering risk as part of everyday activities and provide input to the risk management process

LEAD RISK CHAMPION – SHARED RISK AND INFORMATION OFFICER

33. The shared risk and information officer is responsible for:

- leading and driving the implementation of a combined risk management approach at both councils
- acting as a single point of contact for risk management queries from all officers of the councils
- facilitating training of officers and councillors
- co-ordinating the quarterly review of the organisational risk registers

- ensuring adherence to the risk management process
- updating of procedure notes and guidance documents.

RISK CHAMPIONS

34. The duties of the risk champion include:

- acting as the first point of contact for risk management enquiries from their own service
- facilitate the dissemination of risk information to all levels within their service team
- regularly updating their manager on progress or otherwise being made in implementing risk management programmes
- liaising with the lead risk champion regarding progress with risk management developments
- providing basic advice to service team members
- completing the quarterly review of risk registers
- integrating risk actions into service delivery plans where appropriate
- ensuring risk actions are taken, and where not, raise with their head of service
- regularly review risk actions and projects for progress
- ensure colleagues are aware of risk-related issues within their area.

In order to undertake these duties the risk champions must be supported by the chief executive, directors, councillors and lead risk champion.

ROLE OF INTERNAL AUDIT

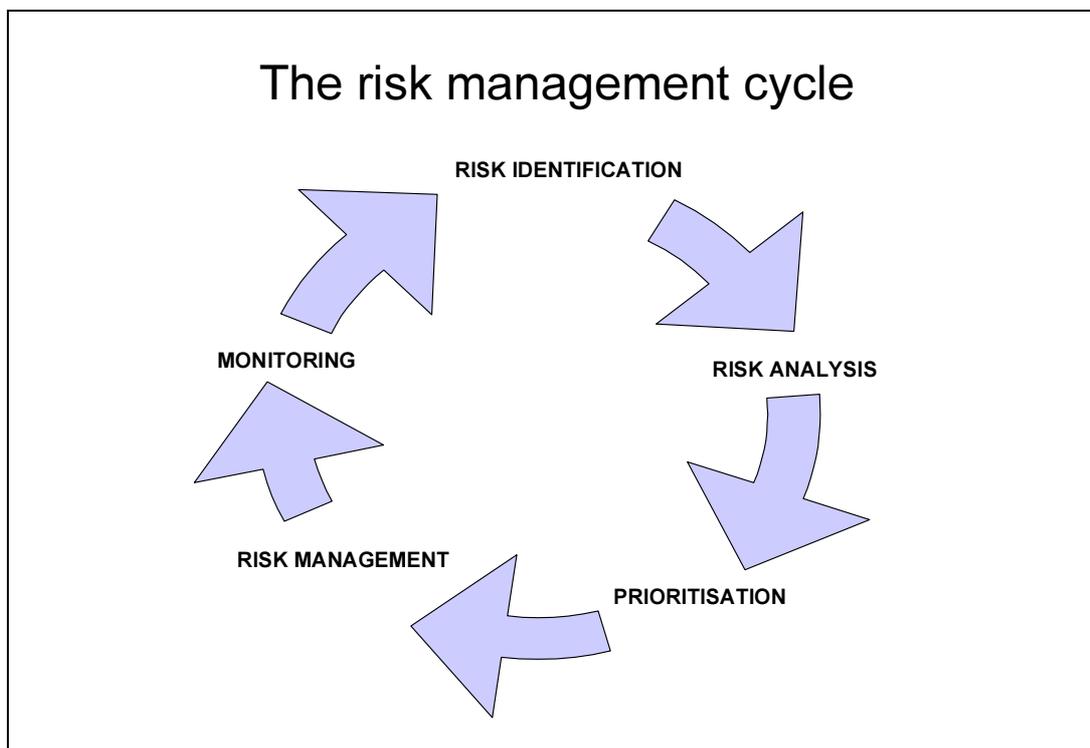
35. Internal audit's role is seen as challenging established processes, challenging risk identification and evaluation and providing assurance to officers and councillors on the effectiveness of controls. They will be responsible for undertaking an annual assessment of the council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

36. Internal audit will also need to feed the results of the corporate and service risk analysis into its annual audit programme.

Appendix 2 – Methodology

37. The five stages within the risk management process are the identification, analysis, prioritisation, management and monitoring of risks. Figure 1 outlines the risk management cycle and highlights the key stages of the risk management process.

FIGURE 1: THE RISK MANAGEMENT CYCLE



STAGE 1 – IDENTIFYING RISKS

38. There are 13 categories of risks that we consider when identifying risks and they should act as a prompt for those involved in the process. This ensures that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks.

- political
- economic
- social
- technological
- legislative / regulatory
- environmental
- competitive
- customer / citizen
- managerial / professional
- financial
- legal
- partnership / contractual
- physical

STAGE 2 – ANALYSING THE RISKS

39. The purpose of analysing risks is to separate the major from the minor and also to consider the consequence of each risk. We analyse each risk by its 'vulnerability (the real or perceived situation that exposes the council to a risk), 'trigger' (an event or change in situation that has a negative result) and 'consequence' (the event that follows in the wake of the risk occurring), in order to build up a complete scenario of the risk.

STAGE 3 – PRIORITISING RISKS

Prioritisation

40. Each risk needs to be prioritised according to the potential likelihood of the risk occurring and its impact if it did occur. To measure the effectiveness our risk management activities, we undertake an evaluation of the risk before management action (gross risk) and an evaluation of the risk after management action (net risk). Initially we ascertain the gross risk rating, the gross risk being the risk that the council is exposed to without any risk control measure being in place. We then consider the risk control measures needed to reduce the likelihood and impact of the risk, ideally those risk control measures will already be in place and we undertake an assessment to confirm whether they are or not. To complete the prioritisation stage, we ascertain the net risk rating of the same risk by assessing the likelihood and impact of the risk taking into account the risk control measures already in place, using a risk matrix to determine the risk rating.

Risk appetite or tolerance

41. Risk appetite refers to the level of risk that the councils are prepared to tolerate. The councils' tolerance of risk is decided by SMB for strategic risks, and this is used as the basis for risk tolerance thresholds in each service, though each head of service has discretion to set the tolerance threshold for that service. The need for a risk tolerance threshold arises because few organisations have sufficient capacity to manage every risk, and it must be decided which are the most important risks to focus resources on. All risks above the agreed appetite cannot be tolerated and must be managed down, transferred or avoided.

STAGE 4 – MANAGING RISKS

42. Most risks are capable of being managed – either by taking mitigating action to reduce the likelihood or impact or both. We control risks through service delivery plans and the risk register. SMB and heads of service / risk champions routinely identify actions which would reduce or mitigate the likelihood and / or impact of risks. These action plans also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors.

43. Any risks that require management action in order to mitigate the risk to an appropriate level are subject to a deadline for implementation. This implementation date is included in the service delivery plan if appropriate and the risk register to allow the action to be followed up with the appropriate officer. To ensure that risk actions are taken forward, all risk actions are added to service delivery plans where possible.

Where additional resources are required to implement any risk mitigation actions, a growth bid is submitted as part of the annual budget setting process.

44. To ensure that risks are regularly managed effectively service/work plan actions will be followed up. SMB is responsible for ensuring that they manage the key risks on the strategic risk register and heads of service are responsible for ensuring that they manage the key risks in their service risk register.

STAGE 5 – MONITORING RISK MANAGEMENT

45. On a cyclical basis throughout the year, heads of service make presentations to SMB on the progress of their service delivery plans. In this way, the strategic and operational risk registers are regularly reviewed and risks re-prioritised where necessary. Amendments are made to risks to reflect the current situation, obsolete risks are deleted and new risks identified. This ensures that the risk registers and resulting risk mitigation measures are appropriate for the current service and corporate objectives. The risk registers are refreshed quarterly and also updated annually as part of the process of reviewing the corporate plan and developing service delivery plans.
46. The operational risk registers are reviewed every quarter and an assessment made as to whether management mitigation actions have been implemented. Heads of service are asked to provide evidence of mitigating actions implemented and the risk register is updated.
47. At least annually, heads of service are asked to confirm that they have reviewed the existing risks in their operational risk register to ensure they remain relevant and appropriately prioritised. This will be in addition to the identification to new risks during the service planning process.
48. It is part of South's Audit and Corporate Governance Committee and Vale's Audit and Governance Committee remit to review the risk management arrangements in place at both councils. The committees will receive annual risk management performance reports.
49. Internal and external audits and inspections also monitor the effectiveness of the councils' risk management arrangements.

Audit and Corporate Governance Committee

WORK PROGRAMME 2013-14

Date of meeting	Item	Purpose	Governance					Scrutiny/ assurance gathering	Decision/ approval
			Internal Audit	External Audit: Ernst & Young	Finance	Risk	Misc.		
26 Sep 2013	Local Government Ombudsman's annual letter	To: <ul style="list-style-type: none"> • consider a summary of information on complaints; • draw any lessons learned about the council's performance and complaint-handling arrangements; • seek assurances from officers on service improvements as a result of the letter. 					X	X	
	Treasury management outturn report	To scrutinise the report to ensure that treasury activities are carried out in accordance with the treasury management strategy and policy.			X			X	
	Ernst & Young's Annual Governance report	To consider the issues raised by Ernst & Young as part of their audit before they give their opinion.		X				X	
	Ernst & Young: letter of representation	To: approve the letter of representation.		X					X
	Approval of final statement of accounts 2012/13	To approve the final statement of accounts following audit.			X				X

Date of meeting	Item	Purpose	Governance					Scrutiny/assurance gathering	Decision/approval
			Internal Audit	External Audit: Ernst & Young	Finance	Risk	Misc.		
	Internal audit management report	To: <ul style="list-style-type: none"> report on management issues; summarise progress of internal audit against the 2013/14 audit plan; summarise the priorities and planned audit work for the next quarter. 	X					X	
	Internal audit activity report	To: <ul style="list-style-type: none"> summarise the outcomes of recent internal audit activity; review the report and the main issues arising; seek assurance that action has been taken. 	X					X	
28 Jan 2014	Internal audit management report	To: <ul style="list-style-type: none"> report on management issues; summarise progress of internal audit against the 2013/14 audit plan; summarise the priorities and planned audit work for the next quarter. 	X					X	
	Internal audit activity report	To: <ul style="list-style-type: none"> summarise the outcomes of recent internal audit activity; review the report and the main issues arising; seek assurance that action has been taken. 	X					X	Agenda Item 10

Date of meeting	Item	Purpose	Governance					Scrutiny/assurance gathering	Decision/approval
			Internal Audit	External Audit: Ernst & Young	Finance	Risk	Misc.		
	Treasury management mid year monitoring report	To: <ul style="list-style-type: none"> note the treasury management mid year monitoring report, and be satisfied that treasury activities are carried out in accordance with the treasury management strategy and policy. 			X				
	Scrutiny of the treasury management strategy	To undertake scrutiny of the treasury management strategy, policies and performance.			X			X	
	Ernst & Young: 2013/14 audit fees	To consider the 2013/14 audit fees letter.		X				X	
	Ernst & Young: annual audit letter and final use of resources report	To consider the Ernst & Young's letter and report.		X				X	
18 Mar 2014	Internal audit management report	To: <ul style="list-style-type: none"> report on management issues; summarise progress of internal audit against the 2013/14 audit plan; summarise the priorities and planned audit work for the next quarter. 	X					X	

Date of meeting	Item	Purpose	Governance					Scrutiny/ assurance gathering	Decision/ approval
			Internal Audit	External Audit: Ernst & Young	Finance	Risk	Misc.		
	Internal audit activity report	To: <ul style="list-style-type: none"> summarise the outcomes of recent internal audit activity; review the report and the main issues arising; seek assurance that action has been taken. 	X					X	
	Internal audit annual plan 2014-2015	To: <ul style="list-style-type: none"> explain the process for setting the internal audit plan and for calculating the resources available; set out the proposed internal audit annual plan for 2014/15. 	X						X
	Business continuity annual update	To review and note the business continuity arrangements.					X	X	
	'Risk management annual update	To review and note the risk management arrangements.				X		X	
	Ernst & Young: audit plan	To consider Ernst & Young's audit plan.		X				X	

Other items (when required)

- The consideration of code of conduct complaints referred to a panel of the committee when required.
- The determination of enhanced benefits in respect of redundancies and early retirements.
- To agree the changing of salary grades for any posts at head of service and above.
- To agree human resources matters relating to the Local Government Pension Scheme. These include changes to the scheme requiring local decisions; responding to consultations for scheme amendments; applying discretionary termination payments to staff, in cases of early retirement on efficiency rounds; and amending or implementing new Council policies on pensions (eg discretionary payments policy).