

AGENDA



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Date: 18 September 2015

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A MEETING OF THE

Joint Audit and Governance Committee

WILL BE HELD ON MONDAY 28 SEPTEMBER 2015 AT 6.30 PM

MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON, OX14 4SB

Members of the Committee:

Charles Bailey	Simon Howell (Co-Chair)	Alan Thompson
Kevin Bulmer (Co-Chair)	Chris Palmer	John Walsh
Dudley Hoddinott	Henry Spencer	

Substitutes

<i>Paul Harrison</i>	<i>David Nimmo-Smith</i>	<i>Richard Pullen</i>
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1 Apologies

2 Declarations of disposable pecuniary interest

To receive any declarations of disclosable pecuniary interests in respect of items on the agenda for this meeting.

3 Minutes (Pages 4 - 6)

To adopt and sign as a correct record the minutes of the meeting held on 6 July 2015 (attached).

4 Urgent business

5 Public participation

6 Application of restrictions imposed by Section 157 of the Housing Act 1985 in South Oxfordshire - consideration of the local government ombudsman's report (Pages 7 - 21)

To consider the head of economy, leisure and property's report (attached).

7 External auditor's fees (Pages 22 - 27)

To note the external auditor's letters (attached) setting out the audit and certification fees for South Oxfordshire and the Vale of White Horse District Councils in 2015/16. The committee deferred consideration of this item at the last meeting.

8 External auditor's annual audit report - South Oxfordshire
(Pages 28 - 45)

To consider the report from Ernst & Young (attached).

9 External auditor's annual audit report - Vale of White Horse
(Pages 46 - 63)

To consider the report from Ernst & Young (attached).

12 Annual governance statement 2014/15 - South Oxfordshire
(Pages 64 - 82)

To consider South Oxfordshire's annual governance statement 2014/15.

RECOMMENDED: To approve South Oxfordshire District Council's Annual Governance Statement 2014/15 to form part of the statement of accounts.

13 Annual governance statement 2014/15 - Vale of White Horse
(Pages 83 - 101)

To consider the Vale of White Horse's annual governance statement 2014/15.

RECOMMENDED: To approve Vale of White Horse District Council's Annual Governance Statement 2014/15 to form part of the statement of accounts.

14 Letter of representation to the external auditor - South Oxfordshire (Pages 102 - 105)

RECOMMENDED: to agree that the chairman signs the letter of representation to the external auditor (attached).

15 Letter of representation to the external auditor - Vale of White Horse (Pages 106 - 109)

RECOMMENDED: to agree that the chairman signs the letter of representation to the external auditor (attached).

16 Treasury management outturn 2014/15 (Pages 110 - 133)

To consider the head of finance's report.

17 Internal audit management report quarter two 2015/16 (Pages 134 - 142)

Report of the audit manager (attached).

18 Internal audit activity report quarter two 2015/16 (Pages 143 - 171)

Report of the audit manager (attached).

19 Audit and governance work programme (Pages 172 - 175)

To review the work programme (attached).

MARGARET REED

Head of Legal and Democratic Services

Minutes



OF A MEETING OF THE

Joint Audit and Governance Committee

HELD AT 6.30 PM ON MONDAY 6 JULY 2015

MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON,
ABINGDON, OX14 4SB

Present

Simon Howell (Co-Chairman in the chair)

Charles Bailey, Dudley Hoddinott, Chris Palmer, Alan Thompson and John Walsh

Apologies:

Kevin Bulmer and Henry Spencer tendered apologies.

Officers

Kate Arnold, Sandra Bayley, William Jacobs, Adrianna Partridge and Ron Schrieber

1 Declarations of disclosable pecuniary interest

None

2 Minutes of the previous meetings

RESOLVED: to adopt as correct records the minutes of the South Audit and Corporate Governance Committee and the Vale Audit and Governance Committee meetings held on 17 and 19 March 2015 respectively and agree that the chairman signs them as such.

3 Joint Committee Terms of Reference and Appointment of Sub-Committees

The committee considered the head of legal and democratic services' report which set out the joint committee's terms of reference. Both councils had agreed to establish audit and governance sub-committees to discuss and agree matters relating to a single council. However, this would be the exception rather than the rule with almost all business going to the joint committee.

RESOLVED: to

- (a) note the joint committee's terms of reference, attached at Appendix A to the report.
- (b) appoint audit and governance sub-committees as set out in Appendix A to the report.

4 Internal audit annual report 2014/2015

The committee considered the audit manager's annual report on internal audit activity during 2014/15.

As a consequence of the Crowmarsh fire, internal audit had only achieved three out of its ten annual performance targets. Nevertheless, the audit manager was satisfied that sufficient internal audit work had been undertaken to allow a reasonable conclusion to be drawn as to the adequacy and effectiveness of both council's risk management, control and governance process and both councils were given satisfactory assurance.

RESOLVED: to note the internal audit annual report 2014/15.

5 Internal audit management report quarter one 2015/2016

The committee considered the audit manager's management report on internal audit for the first quarter of 2015/16. The committee noted that there had been an auditor vacancy throughout the first quarter. An interim auditor had been appointed in June to assist with the back log of work and the vacancy had been filled with effect from 6 July.

RESOLVED: to note the internal audit management report for the first quarter of 2015/16.

6 Internal audit activity report quarter one 2015/2016

The committee considered the audit manager's report on internal audit activity during the first quarter of 2015/16. This summarised the outcomes of recent audit activity. Since the last committee meetings 14 audits had been completed, all rated as full or substantial assurance, together with six follow up reviews. The outstanding recommendations report was reviewed and the committee was content with the report format. It was agreed that the audit manager would send an update report to committee members in late August/early September.

RESOLVED: to note the internal audit activity report for the first quarter of 2015/16.

7 External auditor's fees

In the absence of a representative of Ernst and Young, both councils' external auditor, it was agreed to defer consideration of this item to the next meeting.

8 Joint audit and governance work programme

The committee reviewed its work programme which set out matters scheduled for consideration at future meetings.

The committee noted that the procedures for dealing with Councillor Code of Conduct complaints were due for review and agreed that this matter be added to the agenda for the January 2016 meeting.

9 Exclusion of the public, including the press

RESOLVED: To move in accordance with Section 100A(4) of the Local Government Act 1972, the public, including the press, be excluded from the remainder of the meeting to prevent the disclosure to them of exempt information, as defined in Section 100(I) and Part 1 of Schedule 12A, as amended by the Local Government (Access to Information) (Variation) Order 2006 when the following item is considered:

Internal audit activity report

(Category 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information.)

10 Internal audit report

The committee considered and noted a report of the Audit Manager on an internal audit review.

The meeting closed at 7.27 pm

Chairman

Date

Joint audit and governance committee



Report of head of economy, leisure and property

Author: Chris Tyson

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Cabinet member responsible: Robert Simister

E-mail: robert.simister@southoxon.gov.uk

DATE: 28 September 2015

Application of restrictions imposed by Section 157 of the Housing Act 1985 in South Oxfordshire – consideration of the local government ombudsman’s report

Recommendation

That the joint audit and governance committee considers the local government ombudsman’s findings and recommendations on the two similar complaints from South Oxfordshire residents concerning a restriction on the sale of properties under s157 of the Housing Act 1985, and recommends to the South cabinet how it should respond to the findings and recommendations.

Purpose of report

1. The purpose of this report is to
 - advise the committee of the local government ombudsman’s (LGO’s) report on an investigation into two complaints from South Oxfordshire residents concerning a restriction on the sale of properties under s157 of the Housing Act 1985
 - seek the committee’s recommendations to South cabinet on any action that the council should take in response to the findings of the report and its recommendations.

Background

2. Section 157 (s157) of the Housing Act 1985, and previously the terms contained in section 19 of the Housing Act 1980, allows councils to impose a restriction on the future sales of properties purchased under the right to buy scheme if the property is in a national park, area of outstanding beauty or an area designated as a rural area. This provides that the property cannot be sold without the consent of the local council. The council must agree to the sale of a property if the person purchasing the property has lived or worked in the area for three years immediately before applying to buy the property (a 'qualifying person'). However, the council has discretion to agree to the sale of a property to a person if they do not have a local connection, i.e. they are not a 'qualifying person' as defined by the act.
3. A s157 restriction also provides that the property must be used as the purchaser's main residence. However, it can be rented with the consent of the council, provided the tenant is also a 'qualifying person'.
4. The purpose of the restriction is to suppress the housing market in the AONBs to help local properties be available and affordable for local people. It also seeks to prevent them from being bought as second homes.
5. When the council sold its properties in the AONBs within South Oxfordshire district under the right to buy scheme, estimated at some 400 properties, it imposed a s157 restriction on future sales. This restriction was included in the transfer documents and noted on the registered title of each property by the Land Registry. In addition, the council transferred its remaining properties to Soha in 1997, and imposed the same restriction on some 600 of these properties.
6. Until 2013, it appears from correspondence that the council's policy was to exercise its discretion to grant consent to all prospective purchasers of properties subject to a s157 restriction and not enforce the full terms of the restriction, provided that it was to be their principal home and not rented out. On that basis, officers considered that it was not necessary for the council to provide full details of the s157 restriction to prospective purchasers or to check if purchasers had local connections. However, officers have been unable to find any record of a formal decision being taken in relation to this policy.
7. Responsibility for dealing with s157 applications for consent transferred from the housing team to the property team in 2013, although the legal team dealt with the applications on housing's behalf. At that point, there was a joint property and legal team review of our policy for dealing with consent for sales of properties with a s157 restriction. In June 2013, following the review, officers published the s157 terms and the application for consent process on our website, introduced an application form, and required buyers to have a local connection. This was to increase transparency and clarity, to provide information to owners and potential purchasers of properties with s157 restrictions, and to ensure that the full requirements of the restriction were being met in order to maximise the chances of achieving the intended purposes of the restriction. It also brought our practice into line with the policy agreed in the 1990s when the council was dealing with the initial right to buy requests and its stock transfer.
8. Cabinet members informally considered the issue of s157 restrictions in May 2014. They agreed to an interim policy to grant consent to applicants who intend to use the property as their principal home and meet either of the following criteria:

- residency and/or main place of work is anywhere within the South Oxfordshire district throughout the period of three years immediately preceding the application for consent, or
 - a current or former member of the armed forces with a local connection to South Oxfordshire.
9. The intention was to put this interim policy in place until the council had reviewed its housing strategy, which should have happened within a matter of months. Officers were content that this could be done without a formal cabinet decision. Unfortunately, the strategy review was delayed and matters have drifted. South cabinet is currently in the process of establishing its formal policy in relation to s157 restrictions in parallel with council consideration of the ombudsman's findings.

Local government ombudsman's decisions

10. A copy of the LGO's final report into two similar complaints from South Oxfordshire residents forms part of the committee's report pack. Both residents complained that the council failed to fully inform them of the conditions of a s157 restriction when they bought their properties, one in 2007 and one in 2010. The LGO investigated the complaints, taking into account information provided by the complainants and the council. She concluded that there was fault by the council, which caused injustice to the complainants.
11. The reasoning is complex but, in essence:
- the council imposed the s157 restriction at the time it sold properties under the right to buy scheme and did not exercise its discretion to agree any variations
 - at some point in the intervening years, and apparently without a formal council decision, officers did exercise discretion not to enforce the local connection requirement when a property was sold
 - officers did not inform the buyers solicitors that the council was exercising its discretion and could change its policy and revert to the original restriction or a different restriction at any time
12. The LGO considered the council should have given the relevant solicitors complete information about the s157 restriction. This should have happened when the solicitors made enquiries and requested the council's consent for the sale of the properties to the complainants. Whilst accepting that the solicitors had a responsibility in ensuring the complainants were aware of the details of the s157 restriction and its implications, the LGO did not consider that this absolved the council from the responsibility to provide full and accurate details.
13. In addition to requiring the council to place a public notice in more than one newspaper (which has been done) and make a copy of the report available at its offices (also done), the LGO recommended that, within three months of the publication of her report, the council should instruct the district valuer to carry out two valuations as follows:
- to assess the value of the properties at the point at which the complainants sold with the partial restriction advised by the council when they bought the properties

- to assess the value of the properties at the point at which the complainants sold with the full s157 restriction

and should then compare the two valuations to see if the value of the properties was diminished by the full s157 restriction. If the value was affected, then the council should pay 50 per cent of the difference to the complainants. This is instead of paying 100 per cent of the difference, as the LGO accepts that the council was not fully responsible for the advice given to the complainants.

In addition, the LGO recommended that the council should pay £250 to each complainant to acknowledge the significant stress caused to them.

14. The LGO placed a copy of the report on its website and issued a press release about the report and its findings.

Actions already taken

15. In view of the LGO's findings in this report, officers are now providing all applicants under the s157 consent procedure with full information about the s157 restriction, both on our website and in letters to the applicants. We are also advising applicants by letter that when it comes to them wanting to sell the property at any stage in the future, prospective purchasers will need to comply with the council's policy in relation to the requirements of s157 restrictions at that time and this policy may change, so they should pass the letter to their legal representatives for further advice.

16. Officers have asked the district valuer to undertake the valuations recommended by the LGO and that work is in hand.

Matters for Consideration

17. This committee is the body charged with considering any findings arising from an LGO investigation. It cannot, however, take decisions that affect policy or have significant financial implications – these are matters for the cabinet – although it can recommend a course of action to the cabinet.

18. The key issues for the committee to consider are:

- does it agree with the LGO that the council should pay the complainants 50 per cent of the difference between the two valuations that the district valuer is undertaking?
- does it support paying the complainants £250 each in acknowledgement of the stress caused to them (these are small sums and the committee's decision will not require onward referral to cabinet)
- does it wish to make any recommendations regarding wider policy relating to s157 restrictions for cabinet to consider?

Financial implications

19. At this stage we do not know whether the values of the two properties concerned were diminished by the full s157 restriction and, if so, by how much, so we are unable to forecast the likely costs, including valuation fees. We do know, however, that in relation to one of the properties the complainant accepted £6,000 less than

the original offer that they received because the buyers were concerned about the future saleability of the property.

Legal implications

20. The LGO's report contains recommendations to the council. The committee must consider these but the council is not obliged to follow them. The cabinet will consider the legal implications arising from a new policy when it considers the recommendations from this committee.

Risks

21. There is a risk that the council will receive similar complaints from other applicants prior to mid-2013 who were not checked for their local connections, or informed of the full implications of the s157 restriction, or advised that the council's approach to s157 restrictions may change in the future. Officers suggest that we should deal with any such complaints in the same way as we decide to deal with the two complaints considered by the LGO.

Conclusions

22. The complaints to the LGO have raised complex issues relating to a decision taken many years ago and subsequently modified but with no audit trail of when and why.

23. The committee must consider the LGO's findings and decide what recommendations it wishes to make to cabinet regarding both its direct response to her recommendations and any wider policy matters.

Background papers

- LGO report

Report by the Local Government Ombudsman

Investigation into complaints against

South Oxfordshire District Council

(reference numbers: 14 010 196 and 14 006 797)

26 August 2015

The Ombudsman's role

For 40 years the Ombudsman has independently and impartially investigated complaints. We effectively resolve disputes about councils and other bodies in our jurisdiction by recommending redress which is proportionate, appropriate and reasonable based on all the facts of the complaint. Our service is free of charge.

Each case which comes to the Ombudsman is different and we take the individual needs and circumstances of the person complaining to us into account when we make recommendations to remedy injustice caused by fault.

We have no legal power to force councils to follow our recommendations, but they almost always do. Some of the things we might ask a council to do are:

- > apologise
- > pay a financial remedy
- > improve its procedures so similar problems don't happen again.

Investigation into complaint numbers 14 010 196 and 14 006 797 against South Oxfordshire District Council

Contents

Report summary..... 1
Introduction 2
Legal and administrative background 2
How we considered this complaint..... 2
Investigation 3
Conclusions..... 5
Decision 6
Recommendations 6

Section 30 of the 1974 Local Government Act says that a report should not normally name or identify any person. The people involved in this complaint are referred to by a letter or job role.

Key to names used

Mrs X - the complainant for complaint 14 010 196

Ms Y - the complainant for complaint 14 006 797

Report summary

Council house sales

Mrs X and Ms Y complain that the Council failed to fully inform them of the conditions attached to a section 157 restriction when they bought their properties. This meant they were not aware the Council would only automatically grant consent to a future sale if the purchaser had a local connection.

Mrs X also complains the Council failed to consult her when it reviewed its procedures to ensure it only grants consent for the sale of properties with section 157 restrictions to people with local connection.

Ms Y also complains the Council wrongly told her she could not rent out a room in her property.

Finding

Fault causing injustice and recommendations made.

Recommendations

The Council should, within three months of the publication of this report, instruct the district valuer to carry out two valuations as follows:

- to assess the value of the properties at the point at which Mrs X and Ms Y sold with the partial restriction advised by the Council when they bought the properties; and
- to assess the value of the properties at the point at which Mrs X and Ms Y sold with the full section 157 restriction.

The district valuer should then compare the two valuations to see if the value of the properties was diminished by the full section 157 restriction. If the value was affected the Council should pay 50% of the difference to Mrs X and Ms Y.

The Council should also pay £250 each to Mrs X and Ms Y to acknowledge the significant stress caused to them.

Introduction

1. Mrs X and Ms Y each complain that the Council failed to fully inform them of the conditions of a section 157 restriction when they bought their properties. This restricts who the property can be sold to.
2. Mrs X also complains the Council failed to consult her when it reviewed its procedures to ensure it only grants consent for the sale of properties with section 157 restrictions to people with local connection.
3. Ms Y also complains the Council wrongly told her she could not rent out a room in her property.

Legal and administrative background

4. Section 157 of the Housing Act 1985 allows councils to impose a restriction on the future sales of properties purchased under the right to buy scheme if the property is in a national park, area of outstanding beauty or an area designated as a rural area. This provides that the property cannot be sold without the consent of the local council. The Council must agree to the sale of a property if the person purchasing the property has lived or worked in the national park, area of outstanding beauty or designated rural area for three years immediately before applying to buy the property. The Council has discretion to agree to the sale of a property to a person if they do not have a local connection.
5. A section 157 restriction also provides that the property must be used as the purchaser's main residence and it cannot be rented.
6. The purpose of the restriction is to suppress the housing market in the area to help local properties be available and affordable for local people. It also prevents them from being bought as second homes.
7. The Ombudsman investigates complaints about 'maladministration' and 'service failure'. In this report we have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. We refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1)*)

How we considered this complaint

8. This report has been produced following consideration of the information provided by Mrs X, Ms Y and the Council.
9. The complainants and the Council were given a confidential draft of this report and invited to comment. The comments received were taken into account before the report was finalised.

Investigation

10. Mrs X and Ms Y each bought properties which were originally owned by the Council. The Council sold the properties under the right to buy scheme some years before Mrs X and Ms Y bought them. When selling the properties the Council imposed a section 157 restriction on future sales.

Mrs X's complaint

11. Mrs X bought her property in 2007. During the sale process the seller's solicitor wrote to the Council to ask for its consent for Mrs X to buy the property. The Council wrote to the seller's solicitor advising it would grant consent under section 157 of the Housing Act 1985. This was on the understanding that Mrs X would occupy the property as her main residence. She also must not dispose of it to a limited company or by tenancy or licence. The seller's solicitor provided assurance that Mrs X would meet these conditions.
12. The Council then wrote to the seller's solicitor to grant consent to Mrs X buying the property. Mrs X did not work or live in the area before she bought the property. The Council did not check her residency before agreeing to the sale. Nor did any of its letters refer to buyers requiring a local connection for the Council to automatically grant consent to the sale. Mrs X has provided a copy of a letter dated 1998 from the Council to the solicitors acting for the previous owner when they bought the property. The letter states that the property is subject to a section 157 restriction. It does not state the Council will agree to the purchase if the purchaser has a local connection.
13. In 2013 the Council reviewed its policy for dealing with consent for sales of properties with section 157 restrictions. It published the terms of the section 157 restriction in full on its website and introduced an application form. The policy provides the Council will only grant consent to buyers who have a local connection to the Council's area or to current or former members of the armed forces with a local connection.
14. Mrs X put her house up for sale in 2014 and found a buyer. The buyer applied to the Council for consent for the sale to them. Mrs X said it was at this point the buyer found out that the Council would only automatically grant consent to a sale to people with a local connection. Mrs X had not told the buyer about this restriction as she was not aware of it. Although the buyers did not have a local connection the Council eventually agreed to the sale. Mrs X said the buyers reduced their offer by £6,000 as the restriction reduced the saleability of the property in the future.
15. Mrs X made a complaint to the Council which it considered through its complaints procedure. The Council acknowledged it did not check if Mrs X was a qualifying person when she bought the property. But it did not uphold her complaint.

Ms Y's complaint

16. Ms Y bought her property in 2010. When buying the property Ms Y's solicitor wrote to the Council asking for its consent for her to buy the property. The Council wrote to Ms Y's solicitor advising it would grant consent under section 157 of the Housing Act 1985. This

was on the understanding that Ms Y would occupy the property as her main residence. She also must not dispose of it to a limited company or by tenancy or licence. Ms Y wrote to the Council to advise that she would meet these conditions. The Council then wrote to her solicitor to grant consent to her buying the property.

17. Before buying the property Ms Y's solicitor sent an email to the Council asking if she could rent out the property in the future. The Council advised that Ms Y could not dispose of the property by way of a tenancy.
18. Ms Y did not work or live in the area before she bought the property. The Council did not check this before agreeing to the sale. Nor did any of its letters refer to the local connection provision of section 157 of the Housing Act 1985.
19. In 2013 Ms Y put her property up for sale and found a buyer. The buyer then became aware the Council would only automatically grant consent to the sale if they had local connection. The buyers withdrew from the sale. Ms Y said she had to reduce the price of the property when she found out the nature of the full section 157 restriction. She also had to reject an above asking price offer for the property as the buyer did not have local connection. She eventually sold the property for less than the reduced asking price.
20. Ms Y made a complaint to the Council that it had failed to inform her that it would only automatically grant consent to buyers who had a local connection. She also complained the Council wrongly advised her she could not rent a room in the property so she lost rental income.
21. The Council responded to her complaint. It advised that the section 157 restriction would not have prevented Ms Y from renting out a room. But the Council had no evidence Ms Y or her solicitor had specifically asked if she could do this.
22. The Council also considered it had notified her of the section 157 restriction and Ms Y's solicitor should have informed her of its implications.

Mrs X's and Ms Y's position

23. Mrs X and Ms Y consider the Council's failure to notify them that it would only automatically grant consent if a buyer had local connection caused significant stress to them. It made the sale of their properties more difficult as their buyers considered they had withheld information about the restriction. Mrs X considers this affected her reputation and her health.
24. Mrs X and Ms Y also consider the Council's failure to notify them of the full details of the restriction caused them financial loss. They bought the properties at market value because they were unaware of the full restriction. They consider the value of their properties was reduced as the local connection requirement limited the number of eligible buyers.
25. Mrs X and Ms Y say they would not have bought their property if they had known the Council would only automatically grant consent for a person with local connection to buy it. This is because it limited the number of people who could buy their property.

The Council's position

26. The Council considers:

- the onus was on Mrs X's and Ms Y's solicitors to check the full details of the section 157 restriction and advise them on the full nature of the restriction and its implications;
- it exercised discretion to grant consent to all prospective purchasers of properties subject to a section 157 restriction and not enforce the full terms of the restriction until 2013. So it was not necessary for it to provide full details of the section 157 restriction or check if purchasers had local connection;
- there was no obligation to consult on its change of approach to now only granting consent to people with local connection; and
- Mrs X and Ms Y benefitted from being able to purchase the properties.

Conclusions

27. The Council was at fault in failing to check if Mrs X and Ms Y had local connection when it granted consent to the sale of the properties to them. There is no evidence that it actively made a decision to exercise its discretion not to enforce the requirement for local connection. The Council's responses to Mrs X's and Ms Y's complaints states the Council made an error by not checking if they had local connection. So we can only conclude that the failure to check if Mrs X and Ms Y had local connection was an error on the part of the Council.
28. Even if the Council had decided to exercise discretion it should have explained this to Mrs X and Ms Y. It should have also advised them that it would be at the discretion of the Council to grant consent in future to purchasers without local connection.
29. The Council was at fault as it failed to give Mrs X's seller's solicitors and Ms Y's solicitor's complete information about the section 157 restriction. It was incumbent on the Council to give full details of the restriction when the solicitors made enquiries and requested the Council's consent for the sale of the properties to Mrs X and Ms Y.
30. Mrs X's and Ms Y's solicitors also had a responsibility in ensuring they were aware of the details of the section 157 requirement and its implications. But this did not absolve the Council from the responsibility to provide the solicitors with the full and accurate details of the section 157 restriction.
31. Mrs X considers the Council should have consulted her and other property owners of its decision to now check if a buyer has local connection. The Council is entitled to review its procedures to determine if they are fit for purpose. There is no requirement to consult when it does so.

32. There is no evidence the Council wrongly advised Ms Y that she could not rent out a room at her property. The email provided by Ms Y shows her solicitor did not ask if she could rent out a room. Her solicitor asked if she could rent out the property. The Council responded appropriately by advising that she could not dispose of it by tenancy or licence.

Injustice

33. The value of Mrs X's and Ms Y's properties may always have been affected by the restriction that it must be their main residence and they could not rent the property. But the full section 157 restriction means there are a limited number of buyers who will automatically qualify for the purchase of the properties. This could have a greater effect on the value of the properties which have previously been sold without the hindrance of a limited pool of buyers. The restriction is also there in perpetuity unless the Council exercises discretion to remove it.
34. Mrs X and Ms Y bought the properties at market value. But they had to accept reduced offers when it became known the Council would only automatically consent to the sale to a buyer with local connection. Had the Council made the solicitors aware, Mrs X and Ms Y may have chosen not to proceed with the purchase, or negotiated a reduction in the price. Or they may have bought the properties with the full knowledge of how the future sale could be affected. The fact they only became aware during the sale of their property will also inevitably have caused significant stress to them.

Decision

35. We have completed our investigation. There was fault by the Council which caused injustice to Mrs X and Ms Y. The Council should take the action identified in paragraphs 36, 37 and 38 to remedy that injustice

Recommendations

36. The Council should, within three months of the publication of this report, instruct the district valuer to carry out two valuations as follows:
- to assess the value of the properties at the point at which Mrs X and Ms Y sold with the partial restriction advised by the Council when they bought the properties; and
 - to assess the value of the properties at the point at which Mrs X and Ms Y sold with the full section 157 restriction.

The district valuer should then compare the two valuations to see if the value of the properties was diminished by the full section 157 restriction. If the value was affected, the Council should pay 50% of the difference to Mrs X and Ms Y.

37. We are recommending that the Council pay 50% rather than 100% as we cannot hold the Council fully responsible for any advice given to Mrs X and Ms Y about the section 157 restriction at the time they bought their properties.

38. The Council should also pay £250 each to Mrs X and Ms Y to acknowledge the significant stress caused to them.

David Buckle
Chief Executive
South Oxfordshire District Council
Abbey House
Abingdon
OX10 3JE

2 April 2015

Ref: SODC 15-16 FL
Your ref:

Direct line: 07881 518875

Email: mwest@uk.ey.com

Dear David

Annual Audit and Certification Fees 2015-16

We are writing to confirm the audit and certification work that we propose to undertake for the 2015-16 financial year at South Oxfordshire District Council.

Our 2015-16 audit is the first that we will undertake following the closure of the Audit Commission on 31 March 2015. Our contract will now be overseen by Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association, until it ends in 2017 (or 2020 if extended by the Department of Communities and Local Government).

The responsibility for publishing the statutory Code of Audit Practice, under which we will conduct our audit work, has transferred to the National Audit Office.

Indicative audit fee

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies, applying from 2015/16 audits.

The audit fee covers the:

- ▶ Audit of the financial statements
- ▶ Value for money conclusion
- ▶ Whole of Government accounts

For the 2015-16 financial year the Audit Commission has set the scale fee for each audited body prior to its closure. The scale fee is based on the fee initially set in the Audit Commission's 2012 procurement exercise, reduced by 25% following the further tendering of contracts in March 2014. It is not liable to increase during the remainder of our contract without a change in the scope of our audit responsibilities.

The 2015-16 scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards
- ▶ The financial statements will be available to us in line with the agreed timetable
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable
- ▶ Prompt responses are provided to our draft reports

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

We have set the Council's planned fee at the scale fee level as the overall level of audit risk is not significantly different from that of the prior year.

As we have not yet completed our audit for 2014-15, our audit planning process for 2015-16 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The Audit Commission has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on the actual 2013-14 benefit certification fee and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2015-16 relates to work on the housing benefit subsidy claim for the year ended 31 March 2016. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2014-15 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2015-16 £	Planned fee 2014-15 £
Total Code audit fee	48,186	64,248
Certification of housing benefit subsidy claim	10,972	12,830

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £14,790.

Audit plan

We aim to issue our 2015-16 audit plan early in 2016. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Corporate Governance Committee.

Audit team

The key members of the audit team for the 2015-16 financial year are:

Mick West

Director

Mwest@uk.ey.com

Tel: 07881 518875

Adam Swain

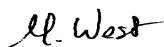
Manager

Aswain@uk.ey.com

Tel: 07867 152511

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Mick West

Director

For and on behalf of Ernst & Young LLP

United Kingdom

cc. William Jacobs, Director of Finance
Kristina Crabbe, Chair of the Audit and Corporate Governance Committee

David Buckle
Chief Executive
Vale of White Horse DC
Abbey House
Abingdon
OX10 3JE

02 April 2015

Ref: VOWH 15-16 FL
Your ref:

Direct line: 07881 518875

Email: mwest@uk.ey.com

Dear David

Annual Audit and Certification Fees 2015-16

We are writing to confirm the audit and certification work that we propose to undertake for the 2015-16 financial year at Vale of White Horse District Council.

Our 2015-16 audit is the first that we will undertake following the closure of the Audit Commission on 31 March 2015. Our contract will now be overseen by Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association, until it ends in 2017 (or 2020 if extended by the Department of Communities and Local Government).

The responsibility for publishing the statutory Code of Audit Practice, under which we will conduct our audit work, has transferred to the National Audit Office.

Indicative audit fee

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies, applying from 2015-16 audits.

The audit fee covers the:

- ▶ Audit of the financial statements
- ▶ Value for money conclusion
- ▶ Whole of Government accounts

For the 2015-16 financial year the Audit Commission has set the scale fee for each audited body prior to its closure. The scale fee is based on the fee initially set in the Audit Commission's 2012 procurement exercise, reduced by 25% following the further tendering of contracts in March 2014. It is not liable to increase during the remainder of our contract without a change in the scope of our audit responsibilities.

The 2015-16 scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards
- ▶ The financial statements will be available to us in line with the agreed timetable
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable
- ▶ Prompt responses are provided to our draft reports

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

For Vale of White Horse District Council this fee is set at the scale fee level as the overall level of audit risk is not significantly different from that of the prior year.

As we have not yet completed our audit for 2014-15, our audit planning process for 2015-16 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The Audit Commission has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on the actual 2013-14 benefit certification fee and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2015-16 relates to work on the housing benefit subsidy claim for the year ended 31 March 2016. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2014-15 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2015-16 £	Planned fee 2014-15 £
Total Code audit fee	47,129	62,839
Certification of housing benefit subsidy claim	11,616	16,650

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative audit fee will be billed in 4 quarterly instalments of £14,686.

Audit plan

We aim to issue our 2015-16 audit plan early in 2016. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Governance Committee.

Audit team

The key members of the audit team for the 2015-16 financial year are:

Mick West

Director

Mwest@uk.ey.com

Tel: 07881 518875

Adam Swain

Manager

Aswain@uk.ey.com

Tel: 0118 9281001

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Mick West

Director

For and on behalf of Ernst & Young LLP

United Kingdom

cc William Jacobs, Director of Finance
Simon Howell, Chair of the Audit and Governance Committee

South Oxfordshire District Council

Joint Audit and Governance Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

September 2015



Contents

		Page
Section 1	Executive summary	3
Section 2	Extent and purpose of our work	5
Section 3	Addressing audit risks	7
Section 4	Financial statements audit – issues and findings	10
Section 5	Arrangements to secure economy, efficiency and effectiveness	14
Section 6	Independence and audit fees	16

Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Joint Audit and Governance Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/15 audit which is substantially complete. It includes the messages arising from our audit of the Council's financial statements and the results of our work to assess its arrangements to secure value for money in its use of resources.

Financial statements

- ▶ As at 18 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate that the Council has prepared its financial statements adequately, as we only have a few matters to communicate.

Value for money

- ▶ We expect to conclude that the Council has made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Whole of Government Accounts

- ▶ We have not reported any significant matters to the National Audit Office (NAO) on the Whole of Government Accounts submission.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Code have been discharged for the relevant audit year. We expect to issue the certificate at the same time as the audit opinion.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Council's responsibilities

- ▶ The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and any planned changes in the coming period.
- ▶ The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

- ▶ Our audit was designed to:
 - ▶ express an opinion on the 2014/15 financial statements and the consistency of other information published with them;
 - ▶ report on an exception basis on the Annual Governance Statement;
 - ▶ consider and report any matters that prevent us being satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion); and
 - ▶ discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

This report also contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

As the Council is considered a component of the Whole of Government Accounts (for the whole public sector) and we are the component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to both the NAO and to the Council..

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

- ▶ We identified the following audit risks during the planning phase of our audit, and reported them in our Audit Plan. We set out here how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
<ul style="list-style-type: none"> ▶ As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records, directly or indirectly, and to prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. 	<ul style="list-style-type: none"> ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ we reviewed accounting estimates for evidence of management bias; and ▶ We evaluated the business rationale for any significant unusual transactions. 	<p>Assurance has been gained and no issues arising.</p>

Addressing audit risks – other audit risks

- ▶ We identified the following audit risks during the planning phase of our audit, and reported them in our Audit Plan. We set out here how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Other audit risks		
<ul style="list-style-type: none"> ▶ Loss of supporting documentation, that supports entries in the financial statements, following the fire at the Crowmarsh Gifford offices on 15 January 2015 	<ul style="list-style-type: none"> ▶ We reviewed the Council’s arrangements for addressing gaps in relevant documentation. ▶ We obtained alternative supporting information where original documents have been destroyed in the fire. 	<p>Assurance has been gained and no issues arising.</p>

Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Joint Audit and Governance Committee meeting:
 - ▶ Receipt of a Letter of Representation
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

- ▶ We have identified no misstatements in the draft financial statements which management has chosen not to adjust.

Corrected misstatements

- ▶ Our audit also identified a number of minor misstatements which our team has highlighted to management for amendment. These have been corrected during the audit.

Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must communicate to the Committee significant findings from the audit and other matters significant to the oversight of the Council's financial reporting process. These include the following:
 - ▶ qualitative aspects of accounting practices; estimates and disclosures;
 - ▶ matters specifically required by other auditing standards to be communicated to those charged with governance, e.g. issues around fraud, compliance with laws and regulations, external confirmations, and related party transactions;
 - ▶ any significant difficulties during the audit; and
 - ▶ any other audit matters of governance interest.

We have no matters we wish to report.

Financial statements audit – application of materiality

Our application of materiality

- ▶ When establishing our overall audit strategy, we set the level of uncorrected misstatements we considered to be material for the financial statements as a whole.

Item	
<p>Planning Materiality and Tolerable error</p>	<p>We set planning materiality at £1.28m (2014: £1.27m), which is 2% of gross expenditure in the accounts of £64m.</p> <p>We also set a tolerable error (TE) for the audit. This is how we apply planning materiality at the more detailed level of an individual account or balance. Its purpose is to make reasonably sure that the total of all uncorrected and undetected misstatements is unlikely to exceed planning materiality. The level of TE drives how much detailed audit testing we need to support our opinion.</p> <p>We set TE at the upper level of the available range because there were no corrected significant errors in the Council's 2013/14 financial statements and no uncorrected errors.</p>
<p>Reporting Threshold</p>	<p>We agreed with the Joint Audit and Governance Committee that we would report to them all uncorrected audit differences in excess of £63,000.</p>

We also identified areas where we used a lower level of materiality level, as it might influence the reader. For these areas we developed a specific audit strategy. These include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: Strategy applied: We have reviewed the details and agreed to supporting documentation where necessary.
- ▶ Related party transactions. Strategy applied: reviewing all returns made by officers and members of the Council to ensure that all related party transactions are appropriately disclosed.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above; we also take into account any other relevant qualitative considerations.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- ▶ It is the Council's responsibility to develop and implement systems of internal financial control and to have proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as the Council's auditor is to consider whether the Council has adequate arrangements to satisfy itself that this is indeed the case.
- ▶ We have tested the controls of the Council only to the extent needed to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement and can confirm that:
 - ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework, and
 - ▶ it is consistent with other information we know from our audit of the financial statements.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control, and which the Council does not know about, that might result in a material misstatement in the financial statements.

Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation on a number of matters. As well as the standard representations, we have requested the following specific ones:
- ▶ Management believe that the treatment of the insurance receipt following the fire in January 2015 is appropriate and complies with the relevant accounting standards
 - ▶ We have requested this as the debtor has been estimated at the impairment value of the Crowmarsh Gifford site, as no formal settlement has been agreed with the insurance company.
- ▶ Management have provided appropriate alternative evidence to support entries in the financial statements, where the originals were destroyed in the fire.
 - ▶ We have requested this as some of the original documentation was destroyed.

Whole of Government Accounts

- ▶ As well as our work on the financial statements, we also review and report to the National Audit Office on the Council's Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- ▶ We have concluded are currently concluding our work in this area and will report any there were no matters arising to the Joint Audit and Governance Committee.

Section 5

Arrangements to secure economy, efficiency and effectiveness

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that South Oxfordshire District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and focus specified by the Audit Commission.

Criterion 1 – arrangements for securing financial resilience

- ▶ 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- ▶ We did not identify any significant risks under this criterion.

Criterion 2 – arrangements for securing economy, efficiency and effectiveness

- ▶ 'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'
- ▶ We did not identify any significant risks under this criterion.
- ▶ We have no issues to report under this criterion.
- ▶ Our work did not identify any other matters on aspects of the Council's corporate performance and financial management framework which are not covered by the scope of these criteria.

Section 6

Independence and audit fees

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since the confirmation in our Audit Plan dated March 2015.
 - ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent, and the objectivity of the audit engagement partner and staff has not been compromised within the meaning of regulatory and professional requirements.
 - ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm and that we are required by auditing and ethical standards to report to the Council.
 - ▶ We consider that our independence in this context is a matter that should be reviewed by both the Council and us. It is therefore important to consider the facts of which the Council is aware and come to a view. If the Committee wish to discuss any matters concerning our independence, we will be pleased to do so at the meeting on 28 September 2015.
- ▶ We confirm that we have met the reporting requirements to the Joint Audit and Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our plan to meet these requirements were set out in our Audit Plan dated March 2015.

Audit fees

	Proposed final fee 2014/15	Scale fee 2014/15	Variation comments
	£	£	
Audit Fee: Code work	64,248	64,248	
Certification of claims and returns	12,830	12,830	

- ▶ Our actual fee is provisionally in line with the agreed fee, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside the Audit Commission's Audit Code requirements.

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Ernst & Young LLP

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ED None

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Vale of White Horse District Council

Joint Audit and Governance Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

September 2015



Contents

		Page
Section 1	Executive summary	3
Section 2	Extent and purpose of our work	5
Section 3	Addressing audit risks	7
Section 4	Financial statements audit – issues and findings	10
Section 5	Arrangements to secure economy, efficiency and effectiveness	14
Section 6	Independence and audit fees	16

Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Joint Audit and Governance Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/2015 audit which is substantially complete. It includes the messages arising from our audit of the Council's financial statements and the results of our work to assess its arrangements to secure value for money in its use of resources.

Financial statements

- ▶ As at 18 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate that the Council has prepared its financial statements adequately, as we only have a few matters to communicate.

Value for money

- ▶ We expect to conclude that the Council has made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Whole of Government Accounts

- ▶ We have not reported any significant matters to the National Audit Office (NAO) on the Whole of Government Accounts submission.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Code have been discharged for the relevant audit year. We expect to issue the certificate at the same time as the audit opinion.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Council's responsibilities

- ▶ The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and any planned changes in the coming period.
- ▶ The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

- ▶ Our audit was designed to:
 - ▶ express an opinion on the 2014/15 financial statements and the consistency of other information published with them;
 - ▶ report on an exception basis on the Annual Governance Statement;
 - ▶ consider and report any matters that prevent us being satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion); and
 - ▶ discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

This report also contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

As the Council is considered a component of the Whole of Government Accounts (for the whole public sector) and we are the component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to both the NAO and to the Council..

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

- ▶ We identified the following audit risks during the planning phase of our audit, and reported them in our Audit Plan. We set out here how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
<ul style="list-style-type: none"> ▶ As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records, directly or indirectly, and to prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. 	<ul style="list-style-type: none"> ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ We reviewed accounting estimates for evidence of management bias; and ▶ We evaluated the business rationale for any significant unusual transactions. 	<p>Assurance has been gained and no issues arising.</p>

Addressing audit risks – other audit risks

- ▶ We identified the following audit risks during the planning phase of our audit, and reported them in our Audit Plan. We set out here how we have gained audit assurance over those issues.

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<ul style="list-style-type: none"> ▶ Loss of supporting documentation, that supports entries in the financial statements, following the fire at the Crowmarsh Gifford offices on 15 January 2015 	<ul style="list-style-type: none"> ▶ We reviewed the Council’s arrangements for addressing gaps in relevant documentation. ▶ We obtained alternative supporting information where original documents have been destroyed in the fire. 	<p>Assurance has been gained and no issues arising.</p>

Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Joint Audit and Governance Committee meeting:
 - ▶ Receipt of a Letter of Representation
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

- ▶ We have identified no misstatements in the draft financial statements which management has chosen not to adjust.

Corrected misstatements

- ▶ Our audit identified a number of minor misstatements which our team has highlighted to management for amendment. These have been corrected during the audit.

Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must communicate to the Committee significant findings from the audit and other matters significant to the oversight of the Council's financial reporting process. These include the following:
 - ▶ qualitative aspects of accounting practices; estimates and disclosures;
 - ▶ matters specifically required by other auditing standards to be communicated to those charged with governance, e.g. issues around fraud, compliance with laws and regulations, external confirmations, and related party transactions;
 - ▶ any significant difficulties during the audit; and
 - ▶ any other audit matters of governance interest.

We have no matters we wish to report.

Financial statements audit – application of materiality

Our application of materiality

- ▶ When establishing our overall audit strategy, we set the level of uncorrected misstatements we considered to be material for the financial statements as a whole.

Item	
Planning Materiality and Tolerable error	<p>We set planning materiality at £1.16 m (2013/14: £1.1 m), which is 2% of gross expenditure in the accounts of £64 m.</p> <p>We also set a tolerable error (TE) for the audit. This is how we apply planning materiality at the more detailed level of an individual account or balance. Its purpose is to make reasonably sure that the total of all uncorrected and undetected misstatements is unlikely to exceed planning materiality. The level of TE drives how much detailed audit testing we need to support our opinion.</p> <p>We set TE at the upper level of the available range because there were no corrected significant errors in the Council's 2013/14 financial statements and no uncorrected errors.</p>
Reporting Threshold	We agreed with the Joint Audit and Governance Committee that we would report to them all audit uncorrected differences in excess of £55,000

We also identified areas where we used a lower level of materiality level, as it might influence the reader. For these areas we developed a specific audit strategy. These include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: Strategy applied: We have reviewed the details and agreed to supporting documentation where necessary.
- ▶ Related party transactions. Strategy applied: reviewing all returns made by officers and members of the Council to ensure that all related party transactions are appropriately disclosed.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above; we also take into account any other relevant qualitative considerations.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- ▶ It is the Council's responsibility to develop and implement systems of internal financial control and to have proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as the Council's auditor is to consider whether the Council has adequate arrangements to satisfy itself that this is indeed the case.
- ▶ We have tested the controls of the Council only to the extent needed to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement and can confirm that:
 - ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework, and
 - ▶ it is consistent with other information we know from our audit of the financial statements.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control, and which the Council does not know about, that might result in a material misstatement in the financial statements.

Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation on a number of matters. As well as the standard representations, we have requested the following specific ones:
- ▶ Management have provided appropriate alternative evidence to support entries in the financial statements, where the originals were destroyed in the fire.
 - ▶ We have requested this as some of the original documentation was destroyed

Whole of Government Accounts

- ▶ As well as our work on the financial statements, we also review and report to the National Audit Office on the Council's Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- ▶ We have concluded our work in this area and there were no matters arising to the Joint Audit and Governance Committee.

Section 5

Arrangements to secure economy, efficiency and effectiveness

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Vale of White Horse District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and focus specified by the Audit Commission.

Criterion 1 – arrangements for securing financial resilience

- ▶ 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- ▶ We did not identify any significant risks under this criterion

Criterion 2 – arrangements for securing economy, efficiency and effectiveness

- ▶ 'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'
- ▶ We did not identify any significant risks under this criterion
- ▶ We have no issues to report under this criterion
- ▶ Our work did not identify any other matters on aspects of the Council's corporate performance and financial management framework which are not covered by the scope of these criteria

Section 6

Independence and audit fees

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since the confirmation in our Audit Plan dated 4 March 2015.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent, and the objectivity of the audit engagement partner and staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm and that we are required by auditing and ethical standards to report to the Council.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both the Council and us. It is therefore important to consider the facts of which the Council is aware and come to a view. If the Committee wish to discuss any matters concerning our independence, we will be pleased to do so at the meeting on 28 September 2015.

- ▶ We confirm that we have met the reporting requirements to the Joint Audit and Governance Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our plans to meet these requirements were set out in our Audit Plan dated 4 March 2015.

Audit fees

- ▶ The table below sets out the original scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	62,839	62,839	
Certification of claims and returns	16,650	16,650	

- ▶ Our actual fee is provisionally in line with the agreed fee, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside the Audit Commission's Audit Code requirements.

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South Oxfordshire District Council

Annual Governance Statement 2014/15

CONTENTS

Scope of responsibility	2
The purpose of the governance framework	3
The governance framework	3
The strategic planning framework	4
Performance management framework	5
Legal framework	6
Financial framework	6
Risk management framework.....	7
Review of effectiveness of the governance framework	7
Review of objectives.....	8
Performance management and service work planning	8
Legal framework	9
Financial framework	11
Councillors' and senior officers' development	14
Internal audit and the internal audit manager	15
Risk management.....	16
Anti-fraud, bribery, money laundering and whistleblowing	17
Business continuity.....	17
Audit and Corporate Governance Committee	18
Scrutiny Committee	18
Councillors' code of conduct	18
External sources of assurance on the governance framework	18
Significant governance issues	19

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 exercising its functions, 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 has in place corporate governance arrangements, and has adopted a local code of governance. 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 and the Society of Local Authority Chief Executives, which was published in 2007.
5. This statement explains how South Oxfordshire District Council has complied with its code of governance, and how the council met the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011, in relation to an annual review of the effectiveness of the council’s systems of internal control, 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
135 Eastern Avenue
Milton Park
Milton
Abingdon
OX14 4SB

Tel. 01235 540307

Email: democratic.services@southandvale.gov.uk

The purpose of the governance framework

7. The governance framework comprises the systems, processes, culture and values, by which the council is directed and controlled, and activities through which it accounts to, engages with and leads the community. The governance framework enables the council to monitor achievement of its strategic objectives and to consider whether those objectives have delivered 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 the council's objectives, and therefore can 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 risks to the achievement of the council's 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 2015 and up to the date of approval of the 2014/15 statement of accounts in September 2015.

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, key strategies, and agreeing the budget.
11. The council has executive arrangements in place consisting of a cabinet and a scrutiny committee. Cabinet is responsible for proposing the budget, policy framework and key strategies, and implementing them once approved by Council. The scrutiny function allows a committee to question and challenge the policy and performance of Cabinet 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 Cabinet and Scrutiny Committee on legislative, financial and other policy considerations to achieve the council's objectives, and are responsible for implementing councillors' decisions.
13. The governance framework for 2014/15 was based on our local code of governance. Within the framework the council aims to meet the principles of good governance in all aspects of its work, giving particular attention to the main principles:

- Focusing on the council's purpose 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 the council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest, cost-effective and accountable manner, the strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.
15. The council's vision is: 'shaping a prosperous future for South Oxfordshire'. This is supported by the Corporate Plan that sets out the council's strategic objectives and corporate priorities, these are:
 - Excellent delivery of key services
 - Effective management of resources
 - Meeting housing need
 - Building the local economy
 - Support for communities
16. The four-year Corporate Plan, along with Oxfordshire-wide plans, guide decisions on how the council invests financial and staffing resources. These plans determine the types of projects the council supports through grant funding. Arising from the Corporate Plan, there are detailed service work plans, identifying how services undertake specific activities to deliver the council's priorities.
17. The council's 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:
 - South and Vale Community Safety Partnership - this focuses on joint working to reduce crime and the fear of crime, and addresses 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 a body made up of representatives from business, academia and the wider public sector. The partnership's aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The partnership is responsible for delivering the Science Vale Oxford enterprise zone.

18. Our other key strategies include:

- The South Oxfordshire Core Strategy, which is the first part of a new Local Plan for the district. It provides the strategic planning framework for South Oxfordshire and sets out the high level vision for the district. 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. Work has commenced on this plan and the council will work closely with local communities throughout the process. Several neighbourhood plans have also been produced by local communities in South Oxfordshire which form part of the development plan.
- Equality objectives: the council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the council's Corporate Plan priorities.
- Boosting the local economy: 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 plan brings together new ideas alongside ongoing projects, as the council continues to work with the Henley Business 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.

PERFORMANCE MANAGEMENT FRAMEWORK

19. The council sets performance targets to achieve its strategic objectives and corporate priorities set out in the Corporate Plan. To ensure the council meet targets and achieves objectives, it has multi-year service work plans and service targets, ensuring that a *golden thread* aligns the council's top-level objectives to the work of each council officer. Separately, the council reports performance to the government in accordance with the single data list.
20. The council uses a performance management system to monitor progress against targets. This involves flagging actions that are behind target. Where the council is not meeting targets, the responsible head of service discusses these with their strategic director. In addition, the council reviews performance at the end of the year and uses this to help set targets and actions for the coming years. This process is now being aligned to fit with the budget setting process.
21. The council has an individual development and performance review scheme focusing on agreement of targets linked to service work 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, it operates a formal framework for monitoring contractors' performance, and reporting these to Scrutiny Committee.

LEGAL FRAMEWORK

23. The council's Constitution sets out how it is managed and guides decision-making towards objectives, and includes a set of procedure rules that govern how we conduct our business. It also includes protocols covering the disclosure of interests in contracts, and the relationship between officers and councillors. The monitoring officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution.
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 to the Audit and Corporate Governance Committee 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 by councillors. To this end, the council's Constitution incorporates the councillors' code of conduct.

FINANCIAL FRAMEWORK

26. 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.
27. Full Council is responsible for approving the treasury management strategy and for setting the revenue and capital budgets.
28. 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.
29. 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.
30. 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.
31. 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.

32. 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 full Council, a committee (or sub-committee), or Cabinet.

RISK MANAGEMENT FRAMEWORK

33. Paragraphs 34 – 38 below describe the council's framework for risk management which has operated effectively for several years. During much of 2014/15 whilst the officer with responsibility for risk management was on maternity leave, there was little proactive risk management activity. This was sanctioned by the strategic director with responsibility for risk management. The officer returned in late 2014 and was able to apply her risk management skills to the business continuity response to the council office fire and is now revitalising the risk management framework.
34. Risk management is important to the successful delivery of the council's 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. The council uses a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.
35. 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 reports to the Audit and Corporate Governance Committee.
36. The strategic management board is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks.
37. The council has 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. The council reviews and refreshes the operational risk registers each quarter.
38. 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.
39. The council also has business continuity management arrangements in place to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

Action: To review and update the risk management arrangements in 2015/16.
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Review of effectiveness of the governance framework

40. 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.

41. The following highlights our review of our governance framework and sets out the assurances of committees, officers and external organisations.

REVIEW OF OBJECTIVES

42. The section entitled *the strategic planning framework* (paragraph 14) sets out the council's current strategic objectives as a result of a major review of the Corporate Plan in 2011/12 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 residents about their priorities. Each year the council reviews progress against the Corporate Plan to ensure that it is delivering against the objectives.

PERFORMANCE MANAGEMENT AND SERVICE WORK PLANNING

43. The council has a monthly board report which contains a smaller set of key performance indicators selected by the strategic management board and Cabinet members.

This graphically details performance in the main areas of council activity, including:

- planning
- housing
- finance
- waste management
- benefits administration

44. The charts in the board report present:

- current performance
- last year's performance for comparison
- year-end target
- latest year-end prediction by officers, where appropriate
- a narrative supplied by the responsible officer, where appropriate.

45. Monthly analysis of the board report demonstrates that the council is meeting the majority of key performance measures. In addition, the analysis shows a long-term, on-going trend of improvement.

46. The board report is subject to a rigorous approval process, whereby it is checked by heads of service as data owners, and then by the strategic management board. The council then publishes the report to its website and notifies 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, Cabinet members discuss the report.

47. The report has been well received by both councillors and senior management, and is constantly evolving to reflect management requirements. Many graphs are automated so that they now take data directly from the underlying systems.

48. The council has continued its 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', the owner must provide an action to get back on track or an explanation.
49. The council's approach to performance management has received critical acclaim from an independent report by the Advanced Performance Institute. The council has made significant progress over the past years and has implemented a performance management system based on clearly defined output deliverables and priorities.
50. In addition to the monthly board report, the council also produces an annual report that compares the council's performance with all other non-metropolitan district councils. This is used internally to identify any relatively weak areas requiring attention.
51. The council continues to operate a strong approach to service work planning, ensuring that targets and actions are SMART (specific, measurable, achievable, realistic and time-bound). Following the management restructure with Vale of White Horse District Council, there is now a combined approach to service work planning across the two councils. During 2013 and 2014 the council trained all managers on strategic objective-setting and briefed all staff on it. Programme managers oversee actions owned by others and thus maximise the chances of the programme meeting its targets.
52. As a further enhancement to the service work planning process, many teams are using 'performance points'. A performance point is a regularly-updated notice board, displayed in a team's service area, which shows how the team is performing against key performance targets. However, there are also electronic performance points displaying 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
 - are used to review performance with politicians and strategic directors
53. In 2012, following a review by Scrutiny Committee, the council made improvements to the system for monitoring the performance of contractors.
54. 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.

Action: To prepare, agree and introduce a new four year corporate plan in 2015/16.

LEGAL FRAMEWORK

55. In July 2008, the Council approved the creation of a shared senior management team with Vale of White Horse District Council. In September 2008, the 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. Since then, most staff have progressively moved into a role shared across the two councils. 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.

56. 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. Staff who are made available under such an arrangement are able to take binding decisions on behalf of the council at whose disposal they are placed, although they remain an employee of their original authority for employment and superannuation purposes. This legislation therefore allows officers to be shared 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.
57. In September 2008, Council agreed that all references to the chief executive, head of paid service, electoral registration officer and returning officer contained in the Constitution should apply to the shared chief executive when acting in those roles for each council with effect from 17 September 2008. Following the appointment of the strategic directors and heads of service in 2008 and 2009 respectively, a harmonised scheme of delegation to officers and harmonised contract procedure rules were introduced to meet the requirements of joint working with Vale of White Horse District Council.
58. The Constitution was reviewed during the year to ensure it is up to date. This included a review of the scheme of delegation. In order to ensure the efficiency of decision-making within the budget and policy framework agreed by full Council, decision-making has been delegated to Cabinet members and officers.
59. The monitoring officer did not need to use her statutory powers during the year.
60. Part 3 of the Local Government and Public Involvement in Health Act 2007 required all principal authorities to adopt either an elected mayor and cabinet or a new style 'strong' leader and cabinet. The Council has adopted the strong leader model.
61. Lexcel is the accreditation quality mark which the Law Society has developed. This was awarded to the council's legal team, which must undergo a rigorous independent assessment each year to ensure it meets the required standards of excellence in areas such as customer care, case management and risk management.

<p>Action: 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.</p>

FINANCIAL FRAMEWORK

FINANCIAL REPORTING

62. The council produced budget monitoring information for both revenue and capital income and expenditure every quarter from June onwards during the 2014/15 financial year. Budget monitoring reports are available from the council's financial management system, which are profiled, to heads of service and managers every quarter, within two weeks of the end of the period. This ensures up-to-date information, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures. Heads of service and service managers are able to generate their own reports from the financial system at any time.
63. From quarter two onwards, heads of service are required to submit a return to accountancy, which provides reasons for budget variances, and forecasts the end of year outturn position. These are collated into a budget monitoring report which is considered by the strategic management board before being reviewed by finance portfolio holders and circulated to other councillors. These reports highlight the key budget variances being reported by each service, allowing management to focus on them. If required, budget virements can be made during the year. By making such budget virements in-year, the council is able to realign resources to ensure that overspends do not impact on its ability to deliver other services. This is assisted by the prudent inclusion of a contingency budget. The fire at the Crowmarsh offices meant that only a light touch budget monitoring exercise was possible for quarter three 2014/15.
64. Budgetary control is subject to an internal audit review every three to four years. Otherwise, budgetary control is generally reviewed in audits of teams or service areas.
65. 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. An accountant ensures that this information is accurate and relevant.
66. In September 2014, the Audit and Corporate Governance Committee approved the council's financial statements for 2013/14, and the council's external auditors issued an unqualified audit opinion.
67. Officers keep up to date with the latest accounting developments, 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 Chartered Institute of Finance and Accountancy's (CIPFA) finance advisory network and accountants regularly attend these network events, enabling the council's accountants to prepare for changes to accounting requirements. Accountants that attend training courses report back to the rest of the accountancy team on the content of the course.
68. Each year's accounts and annual audit letter are available to the public and are published on the council's website. These are available in accessible formats on

request. To assist the public in understanding the accounts, there is an explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. There is also a glossary of terms within the accounts to aid understanding.

BUDGET SETTING

69. 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. This information is used to prepare the budget monitoring reports presented to the strategic management board, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the following year's budget setting process to be based on the latest estimates of income and expenditure.
70. Every year the council sets a comprehensive and balanced budget, which provides adequate resources and there has been an absence of overspends against total budget in recent years.
71. The council's budget planning cycle is well established, starting with a base budget position produced by officers. Officers 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 reviews the budget 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 ensure that they have a good understanding of the financial situation.
71. Once the budget is set, the monitoring of income and expenditure against budget continues throughout the financial year by the strategic management board, 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 PLAN

72. Supporting the annual budget-setting process, each year the council publishes a five-year medium term financial plan. This provides a forward-looking budget model that estimates the council's budget needs in future years, and indicates the required level of savings needed in future years to balance the budget. This is based on assumptions of the most likely levels of such critical factors as government grant funding, the level of investment interest, and inflation. These are subject to fluctuations.
73. By using the medium term financial plan to estimate future council income and expenditure the council was able to reduce the council tax for 2015/16. 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. Savings realised when the council merged its management team with Vale of White Horse District Council and embraced "lean" business process re-engineering have been added to by the sharing of offices. These savings, along with other savings generated by service teams, enabled the reduction in council tax for

2015/16. All the savings identified to date were reasonable, having been subject to review by the strategic management board and Cabinet.

74. The budget report presented to Cabinet included a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions underpinning the estimates of reserves were deemed reasonable by the section 151 chief finance officer.
75. 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. This makes staff aware of how the council's budgets are constructed and of the financial pressures the council faces. For line managers, a separate module goes into more detail on the financial planning process, and covers their responsibilities. During the budget-setting process the council holds a series of presentations for staff to explain the process and the financial pressures the council faces. The council also seeks the views of stakeholders during the budget process.

TREASURY MANAGEMENT STRATEGY

76. 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. Cabinet and the Audit and Corporate Governance Committee monitor performance against the strategy twice each year.
77. The council enjoys a healthy financial position. It has significant reserves that generate interest income, which it uses to support the revenue budget. The council uses interest earned during the one financial year to support the following year's 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 years do not impact on in-year service delivery.
78. The Audit and Corporate Governance Committee takes responsibility for ensuring effective scrutiny of the treasury management strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury Management code.
79. All the arrangements detailed above demonstrate that 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

80. 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*.

81. 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 requires its internal audit team 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

82. Councillors are offered a comprehensive induction programme. Soon after their election, councillors are invited to an induction to sign their declarations of acceptance of office, sign up to the code of conduct and meet the service teams. Training sessions on planning and licensing law have been held with needs assessment taking place in order to provide further relevant training. Members of the Audit and Corporate Governance Committee also have a training programme.
83. 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. a Master of Business Administration. 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 development and performance review and the formal one to one process.
84. 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.
85. The council launched a management development programme (Mastering Management) for the newly appointed shared service managers, team leaders and supervisors. It includes a module on *leading impact and influence* that covered skills to influence others, work collaboratively and to have challenging and difficult conversations. Another module is on *leading performance* that covered skills to raise performance through coaching within their teams.
86. As part of the programme, the team leaders attend *action learning sets* where they discuss individual challenges and receive 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.
87. 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.

88. 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 develop councillors' roles through the councillor development programme following the May 2015 elections.

INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

89. 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 achievement 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.
90. 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.
91. The internal audit manager's overall opinion offers satisfactory assurance on the basis of internal audit's own work during 2014/15. There is basically a sound system of internal control in place, but there are some weaknesses, which may put some system objectives at risk.
92. Internal audit is committed to providing anti-fraud and corruption training. During 2014/15, the internal audit team has 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; the compliance testing resulted in one medium risk and two low risk recommendations.
93. No suspicion of fraud and corruption by officers, councillors or partners/contractors was reported to the audit manager in 2014/15. The audit manager also reviewed the entries in the gifts and hospitality register and identified one instance where a gift was offered and accepted which did not comply with the council's policy. An amendment has been made to the policy so that any offers of gifts and hospitality outside those permissible within the policy need to be approved by the councils' monitoring officer and section 151 officer.

94. Internal audit provides assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit completed a self-assessment against the code in 2012/13 to identify areas for further improvement and no actions were identified. The next self-assessment will be completed in 2015/16.

Action: To assess the need for anti-fraud and corruption training for councillors and officers in 2015/16.

RISK MANAGEMENT

95. Paragraphs 96 – 100 below describe the council’s framework for risk management. During much of 2014/15 whilst the officer with responsibility for risk management was on maternity leave, there was little proactive risk management activity. This was sanctioned by the strategic director with responsibility for risk management. The officer returned in late 2014 and was able to apply her risk management skills to the business continuity response to the council office fire and is now revitalising the risk management framework.
96. The risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact are assessed, the gross and net risks are identified and responsibility for mitigating actions is assigned to appropriate officers. The council has designated risk champions for all service areas who refresh the operational risk registers quarterly, which heads of service review. The process requires the strategic management board to regularly review the strategic risk registers and also requires a report to the Audit and Corporate Governance Committee summarising the contents of operational risk registers.
97. The council has a strategic risk register, owned by the strategic management board, with clear links between risks and strategic objectives. The process requires the strategic management board to review the strategic risk register. Responsibility for implementing the required mitigating actions is assigned to a strategic director or the chief executive.
98. 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.
99. The strategic management board has identified dependence on partnerships as a strategic risk and included this in the strategic risk register.
100. 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.

Action: To review and update the risk management arrangements in 2015/16.

ANTI-FRAUD, BRIBERY, MONEY LAUNDERING AND WHISTLEBLOWING

101. 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 has 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.
102. The council actively participates in the national anti-fraud initiative; publicises successful cases against 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 administering penalties and cautions. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.
103. The internal control arrangements in place include the council's 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.
104. The risk of money laundering to the council remains low. However, the council has an anti-money laundering policy and procedure and has designated the section 151 officer to be the council's anti-money laundering reporting officer.
105. In 2011, the council reviewed the anti-money laundering policy making it a joint policy with Vale of White Horse District Council. At the same time the anti-fraud and corruption policy was updated to build in the requirements of the Bribery Act. During 2015/16 the anti-fraud, bribery and corruption policy, whistleblowing policy and anti-money laundering policy will be reviewed and updated.

Action: To review the anti-fraud, bribery and corruption policy, whistleblowing policy and anti-money laundering policy in 2015/16.

BUSINESS CONTINUITY

106. As a result of the devastating fire which gutted our offices and significantly disrupted our services, the council's business continuity arrangements were severely tested. The council has started a full review of our business continuity response which will feed into a revision of our business continuity arrangements in light of changes to our office accommodation and new IT infrastructure. The council has 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.

Action: To review the disaster recovery and business continuity arrangements in light of changes to office accommodation and new IT infrastructure in 2015/16.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

107. The 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).

Action: To establish a joint audit and governance committee in 2015/16, replacing the individual committees at South and Vale.

108. 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 district, town and parish councillors. The committee agreed procedures for dealing with code of conduct complaints at its meeting in July 2012.

Action: To review code of conduct review procedures in 2015/16.

SCRUTINY COMMITTEE

109. The Scrutiny Committee continues to help develop council policy and reviews performance in meeting council objectives, and it holds Cabinet accountable for its decisions.

Action: To establish a joint scrutiny committee in 2015/16, meeting at least twice a year, to review a number of standing items that affect both councils such as the performance of contractors.

COUNCILLORS' CODE OF CONDUCT

110. A new code of conduct came into effect on 1 July 2012. In May 2012 the 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. As the need arises, officers have delivered briefings and advice on the code to district and parish and town councillors as well as to parish and town clerks.

111. In order to comply with the new legislation, the council agreed the appointment of two independent persons in 2012. The monitoring officer decides what action to take on complaints. The monitoring officer did not refer any complaints to the Audit and Corporate Governance Committee and has not sent any complaints for investigation.

Action: To provide code of conduct training for district councillors and parish council clerks in 2015/16.

EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

112. Issues raised by our external auditor, and other external inspectors are used to identify improvement areas in our governance arrangements. Ernst & Young was appointed as the council's external auditor from 1 September 2012.

113. The council prepares its accounts under International Financial Reporting Standards and Ernst & Young issued an unqualified opinion on the council's 2013/14 financial statements in September 2014.

- CERTIFICATION OF ANNUAL CLAIMS

114. In March 2015, the Audit and Corporate Governance Committee considered the annual certification report 2013/14 from the council's external auditor, EY (previously known as Ernst & Young). This looked at the sums the council claimed from the government in grants and subsidies and checked whether the council had correctly accounted for these in its returns to government. EY had certified one claim worth £29.8m. No qualification letter was issued.

- LOCAL GOVERNMENT OMBUDSMAN

114. The Local Government Ombudsman provides summary information on complaints about the council to enable it to incorporate any feedback into service improvement.

115. At its meeting in September 2014, the Audit and Governance Corporate Committee considered the Ombudsman's letter for the period 1 April 2013 to 31 March 2014. During 2013/14 the Local Government Ombudsman determined seven complaints and found no evidence of maladministration by the council.

Significant governance issues

116. The council proposes over the coming year to take steps to address the matters set out in the action boxes above to further enhance our governance arrangements. We, the undersigned, are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signature		Date	
	David Buckle, Chief Executive		
Signature		Date	
	John Cotton, Leader of the Council		

Vale of White Horse District Council

Annual Governance Statement 2014/15

CONTENTS

Scope of responsibility	2
The purpose of the governance framework	3
The governance framework	3
The strategic planning framework	4
Performance management framework	5
Legal framework	6
Financial framework	6
Risk management framework.....	7
Review of effectiveness of the governance framework	7
Review of objectives.....	8
Performance management and service work planning	8
Legal framework	9
Financial framework	11
Councillors' and senior officers' development	14
Internal audit and the internal audit manager	15
Risk management.....	16
Anti-fraud, bribery, money laundering and whistleblowing	16
Business continuity.....	17
Audit and Governance Committee	18
Scrutiny Committee	18
Councillors' code of conduct	18
External sources of assurance on the governance framework	18
Significant governance issues	19

Scope of responsibility

1. Vale of White Horse 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 exercising its functions, 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 has in place corporate governance arrangements, and has adopted a local code of governance. 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 and the Society of Local Authority Chief Executives, which was published in 2007.
5. This statement explains how Vale of White Horse District Council has complied with its code of governance, and how the council met the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011, in relation to an annual review of the effectiveness of the council’s systems of internal control, and the preparation and approval of an annual governance statement.
6. Our website at www.whitehorsedc.gov.uk has a copy of the local code of corporate governance within its Constitution or it can be obtained from:

Democratic Services
Vale of White Horse District Council
135 Eastern Avenue
Milton Park
Milton
Abingdon
OX14 4SB

Tel. 01235 540307

Email: democratic.services@southandvale.gov.uk

The purpose of the governance framework

7. The governance framework comprises the systems, processes, culture and values, by which the council is directed and controlled, and activities through which it accounts to, engages with and leads the community. The governance framework enables the council to monitor achievement of its strategic objectives and to consider whether those objectives have delivered 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 the council's objectives, and therefore can 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 risks to the achievement of the council's 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 2015 and up to the date of approval of the 2014/15 statement of accounts in September 2015.

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, key strategies, and agreeing the budget.
11. The council has executive arrangements in place consisting of a cabinet and a scrutiny committee. Cabinet is responsible for proposing the budget, policy framework and key strategies, and implementing them once approved by Council. The scrutiny function allows a committee to question and challenge the policy and performance of Cabinet and promote public debate.
12. The chief executive, who was appointed joint chief executive of this council and South Oxfordshire 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 South Oxfordshire District Council. The chief finance officer, the monitoring officer and heads of service are responsible for advising Cabinet and Scrutiny Committee on legislative, financial and other policy considerations to achieve the council's objectives, and are responsible for implementing councillors' decisions.
13. The governance framework for 2014/15 was based on our local code of governance. Within the framework the council aims to meet the principles of good governance in all aspects of its work, giving particular attention to the main principles:

- Focusing on the council's purpose 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 the council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest, cost-effective and accountable manner, the strategic planning framework incorporates residents' and service-providers' views as well as national and local priorities.
15. The council's vision is: 'taking care of your interests across the Vale with enterprise, energy and efficiency'. This is supported by the Corporate Plan that sets out the council's strategic objectives and corporate priorities, these are:
 - Excellent delivery of key services
 - Effective management of resources
 - Meeting housing need
 - Building the local economy
 - Support for communities
16. The four-year Corporate Plan, along with Oxfordshire-wide plans, guide decisions on how the council invests financial and staffing resources. These plans determine the types of projects the council supports through grant funding. Arising from the Corporate Plan, there are detailed service work plans, identifying how services undertake specific activities to deliver the council's priorities.
17. The council's 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:
 - South and Vale Community Safety Partnership - this focuses on joint working to reduce crime and the fear of crime, and addresses 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 a body made up of representatives from business, academia and the wider public sector. The partnership's aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The partnership is responsible for delivering the Science Vale Oxford enterprise zone.

18. Our other key strategies include:

- The local plan: the council is developing its local plan to cover the period up to 2031.
- Equality objectives: the council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the council's Corporate Plan priorities.
- Boosting the local economy: partnership working is the key theme behind the council's plans to boost its three market towns of Abingdon, Faringdon and Wantage. The market towns action plans bring together new ideas alongside ongoing projects, as the council continues to work with the Choose Abingdon Partnership, and the Joint Economic Forums/Town Teams for Faringdon and Wantage, 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 plans are 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. The Vale4Business partnership is a recently established Vale-wide business partnership that provides local businesses with a strategic business voice through closer working with the council.

PERFORMANCE MANAGEMENT FRAMEWORK

19. The council sets performance targets to achieve its strategic objectives and corporate priorities set out in the Corporate Plan. To ensure the council meet targets and achieves objectives, it has multi-year service work plans and service targets, ensuring that a *golden thread* aligns the council's top-level objectives to the work of each council officer. Separately, the council reports performance to the government in accordance with the single data list.
20. The council uses a performance management system to monitor progress against targets. This involves flagging actions that are behind target. Where the council is not meeting targets, the responsible head of service discusses these with their strategic director. In addition, the council reviews performance at the end of the year and uses this to help set targets and actions for the coming years. This process is now being aligned to fit with the budget setting process.
21. The council has an individual development and performance review scheme focusing on agreement of targets linked to service work 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, it operates a formal framework for monitoring contractors' performance, and reporting these to Scrutiny Committee.

LEGAL FRAMEWORK

23. The council's Constitution sets out how it is managed and guides decision-making towards objectives, and includes a set of procedure rules that govern how we conduct our business. It also includes protocols covering the disclosure of interests in contracts, and the relationship between officers and councillors. The monitoring officer is responsible for ensuring the lawfulness of decision-making and maintaining the Constitution.
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 to the Audit and Governance Committee 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 by councillors. To this end, the council's Constitution incorporates the councillors' code of conduct.

FINANCIAL FRAMEWORK

26. 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.
27. Full Council is responsible for approving the treasury management strategy and for setting the revenue and capital budgets.
28. 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.
29. 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.
30. 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.
31. 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.
32. 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 full Council, a committee (or sub-committee), or Cabinet.

RISK MANAGEMENT FRAMEWORK

33. Paragraphs 34 – 38 below describe the council's framework for risk management which has operated effectively for several years. During much of 2014/15 whilst the officer with responsibility for risk management was on maternity leave, there was little proactive risk management activity. This was sanctioned by the strategic director with responsibility for risk management. The officer returned in late 2014 and was able to apply her risk management skills to the business continuity response to the council office fire and is now revitalising the risk management framework.
34. Risk management is important to the successful delivery of the council's 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. The council uses a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.
35. 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 reports to the Audit and Governance Committee.
36. The strategic management board is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks.
37. The council has 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. The council reviews and refreshes the operational risk registers each quarter.
38. 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.
39. The council also has business continuity management arrangements in place to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

Action: To review and update the risk management arrangements in 2015/16.
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Review of effectiveness of the governance framework

40. 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.

41. The following highlights our review of our governance framework and sets out the assurances of committees, officers and external organisations.

REVIEW OF OBJECTIVES

42. The section entitled *the strategic planning framework* (paragraph 14) sets out the council's current strategic objectives as a result of a major review of the Corporate Plan in 2011/12 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 residents about their priorities. Each year the council reviews progress against the Corporate Plan to ensure that it is delivering against the objectives.

PERFORMANCE MANAGEMENT AND SERVICE WORK PLANNING

43. The council has a monthly board report which contains a smaller set of key performance indicators selected by the strategic management board and Cabinet members.

This graphically details performance in the main areas of council activity, including:

- planning
- housing
- finance
- waste management
- benefits administration

44. The charts in the board report present:

- current performance
- last year's performance for comparison
- year-end target
- latest year-end prediction by officers, where appropriate
- a narrative supplied by the responsible officer, where appropriate.

45. Monthly analysis of the board report demonstrates that the council is meeting the majority of key performance measures. In addition, the analysis shows a long-term, on-going trend of improvement.

46. The board report is subject to a rigorous approval process, whereby it is checked by heads of service as data owners, and then by the strategic management board. The council then publishes the report to its website and notifies 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, Cabinet members discuss the report.

47. The report has been well received by both councillors and senior management, and is constantly evolving to reflect management requirements. Many graphs are automated so that they now take data directly from the underlying systems.

48. The council has continued its 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', the owner must provide an action to get back on track or an explanation.
49. The council's approach to performance management has received critical acclaim from an independent report by the Advanced Performance Institute. The council has made significant progress over the past years and has implemented a performance management system based on clearly defined output deliverables and priorities.
50. In addition to the monthly board report, the council also produces an annual report that compares the council's performance with all other non-metropolitan district councils. This is used internally to identify any relatively weak areas requiring attention.
51. The council continues to operate a strong approach to service work planning, ensuring that targets and actions are SMART (specific, measurable, achievable, realistic and time-bound). Following the management restructure with South Oxfordshire District Council, there is now a combined approach to service work planning across the two councils. During 2013 and 2014 the council trained all managers on strategic objective-setting and briefed all staff on it. Programme managers oversee actions owned by others and thus maximise the chances of the programme meeting its targets.
52. As a further enhancement to the service work planning process, many teams are using 'performance points'. A performance point is a regularly-updated notice board, displayed in a team's service area, which shows how the team is performing against key performance targets. However, there are also electronic performance points displaying 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
 - are used to review performance with politicians and strategic directors
53. In 2012, following a review by Scrutiny Committee, the council made improvements to the system for monitoring the performance of contractors.
54. 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.

Action: To prepare, agree and introduce a new four year corporate plan in 2015/16.

LEGAL FRAMEWORK

55. In July 2008, the Council approved the creation of a shared senior management team with District Council. In September 2008, the chief executive of South Oxfordshire District Council 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. Since then, most staff have progressively moved into a role shared across the two councils. 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.

56. 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. Staff who are made available under such an arrangement are able to take binding decisions on behalf of the council at whose disposal they are placed, although they remain an employee of their original authority for employment and superannuation purposes. This legislation therefore allows officers to be shared 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.
57. In September 2008, Council agreed that all references to the chief executive, head of paid service, electoral registration officer and returning officer contained in the Constitution should apply to the shared chief executive when acting in those roles for each council with effect from 17 September 2008. Following the appointment of the strategic directors and heads of service in 2008 and 2009 respectively, a harmonised scheme of delegation to officers and harmonised contract procedure rules were introduced to meet the requirements of joint working with South Oxfordshire District Council.
58. The Constitution was reviewed during the year to ensure it is up to date. This included a review of the scheme of delegation. In order to ensure the efficiency of decision-making within the budget and policy framework agreed by full Council, decision-making has been delegated to Cabinet members and officers.
59. The monitoring officer did not need to use her statutory powers during the year.
60. Part 3 of the Local Government and Public Involvement in Health Act 2007 required all principal authorities to adopt either an elected mayor and cabinet or a new style 'strong leader and cabinet. The Council has adopted the strong leader model.
61. Lexcel is the accreditation quality mark which the Law Society has developed. This was awarded to the council's legal team, which must undergo a rigorous independent assessment each year to ensure it meets the required standards of excellence in areas such as customer care, case management and risk management.

<p>Action: To continue to review the Constitution to meet the requirements of good governance arising from the joint working arrangements with South Oxfordshire District Council.</p>

FINANCIAL FRAMEWORK

FINANCIAL REPORTING

62. The council produced budget monitoring information for both revenue and capital income and expenditure every quarter from June onwards during the 2014/15 financial year. Budget monitoring reports are available from the council's financial management system, which are profiled, to heads of service and managers every quarter, within two weeks of the end of the period. This ensures up-to-date information, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures. Heads of service and service managers are able to generate their own reports from the financial system at any time.
63. From quarter two onwards, heads of service are required to submit a return to accountancy, which provides reasons for budget variances, and forecasts the end of year outturn position. These are collated into a budget monitoring report which is considered by the strategic management board before being reviewed by finance portfolio holders and circulated to other councillors. These reports highlight the key budget variances being reported by each service, allowing management to focus on them. If required, budget virements can be made during the year. By making such budget virements in-year, the council is able to realign resources to ensure that overspends do not impact on its ability to deliver other services. This is assisted by the prudent inclusion of a contingency budget. The fire at the Crowmarsh offices meant that only a light touch budget monitoring exercise was possible for quarter three 2014/15.
64. Budgetary control is subject to an internal audit review every three to four years. Otherwise, budgetary control is generally reviewed in audits of teams or service areas.
65. 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. An accountant ensures that this information is accurate and relevant.
66. In September 2014, the Audit and Governance Committee approved the council's financial statements for 2013/14, and the council's external auditors issued an unqualified audit opinion.
67. Officers keep up to date with the latest accounting developments, 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 Chartered Institute of Finance and Accountancy's (CIPFA) finance advisory network and accountants regularly attend these network events, enabling the council's accountants to prepare for changes to accounting requirements. Accountants that attend training courses report back to the rest of the accountancy team on the content of the course.
68. Each year's accounts and annual audit letter are available to the public and are published on the council's website. These are available in accessible formats on

request. To assist the public in understanding the accounts, there is an explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. There is also a glossary of terms within the accounts to aid understanding.

BUDGET SETTING

69. 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. This information is used to prepare the budget monitoring reports presented to the strategic management board, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the following year's budget setting process to be based on the latest estimates of income and expenditure.
70. Every year the council sets a comprehensive and balanced budget, which provides adequate resources and there has been an absence of overspends against total budget in recent years.
71. The council's budget planning cycle is well established, starting with a base budget position produced by officers. Officers 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 reviews the budget 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 ensure that they have a good understanding of the financial situation.
71. Once the budget is set, the monitoring of income and expenditure against budget continues throughout the financial year by the strategic management board, 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 PLAN

72. Supporting the annual budget-setting process, each year the council publishes a five-year medium term financial plan. This provides a forward-looking budget model that estimates the council's budget needs in future years, and indicates the required level of savings needed in future years to balance the budget. This is based on assumptions of the most likely levels of such critical factors as government grant funding, the level of investment interest, and inflation. These are subject to fluctuations.
73. By using the medium term financial plan to estimate future council income and expenditure the council was able to freeze its council tax for 2015/16. 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. Savings realised when the council merged its management team with South Oxfordshire District Council and embraced "lean" business process re-engineering have been added to by the sharing of offices. These savings, along with other savings generated by service teams, enabled the freeze in council tax for

2015/16. All the savings identified to date were reasonable, having been subject to review by the strategic management board and Cabinet.

74. The budget report presented to Cabinet included a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions underpinning the estimates of reserves were deemed reasonable by the section 151 chief finance officer.
75. 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. This makes staff aware of how the council's budgets are constructed and of the financial pressures the council faces. For line managers, a separate module goes into more detail on the financial planning process, and covers their responsibilities. During the budget-setting process the council holds a series of presentations for staff to explain the process and the financial pressures the council faces. The council also seeks the views of stakeholders during the budget process.

TREASURY MANAGEMENT STRATEGY

76. 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. Cabinet and the Audit and Governance Committee monitor performance against the strategy twice each year.
77. The council has reserves and short-term cash flow surpluses that generate interest income, which we use to support the revenue budget in year. This can prove volatile and therefore prudent budget estimates of interest (based on market advice) are used when setting the medium term financial plan. Prolonged low interest rates that have been experienced in recent years have had an impact on the funding available to the council.
78. The Audit and Governance Committee takes responsibility for ensuring effective scrutiny of the treasury management strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury Management code.
79. All the arrangements detailed above demonstrate that 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

80. 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*.

81. 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 requires its internal audit team 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 Governance Committee.

COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

82. Councillors are offered a comprehensive induction programme. Soon after their election, councillors are invited to an induction to sign their declarations of acceptance of office, sign up to the code of conduct and meet the service teams. Training sessions on planning and licensing law have been held with needs assessment taking place in order to provide further relevant training. Members of the Audit and Governance Committee also have a training programme.
83. 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. a Master of Business Administration. 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 development and performance review and the formal one to one process.
84. 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.
85. The council launched a management development programme (Mastering Management) for the newly appointed shared service managers, team leaders and supervisors. It includes a module on *leading impact and influence* that covered skills to influence others, work collaboratively and to have challenging and difficult conversations. Another module is on *leading performance* that covered skills to raise performance through coaching within their teams.
86. As part of the programme, the team leaders attend *action learning sets* where they discuss individual challenges and receive 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.
87. The council will continue to develop councillors' roles through a councillor development programme. It will be undertaken as a shared programme with South Oxfordshire 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.

88. 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.

<p>Action: To develop councillors' roles through the councillor development programme following the May 2015 elections.</p>
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INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

89. 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 achievement 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.
90. 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 South Oxfordshire District Council.
91. The internal audit manager's overall opinion offers satisfactory assurance on the basis of internal audit's own work during 2014/15. There is basically a sound system of internal control in place, but there are some weaknesses, which may put some system objectives at risk.
92. Internal audit is committed to providing anti-fraud and corruption training. During 2014/15, the internal audit team has 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; the compliance testing resulted in one low risk recommendation.
93. No suspicion of fraud and corruption by officers, councillors or partners/contractors was reported to the audit manager in 2014/15. The audit manager also reviewed the entries in the gifts and hospitality register and identified one instance where a gift was offered and accepted which did not comply with the council's policy. An amendment has been made to the policy so that any offers of gifts and hospitality outside those permissible within the policy need to be approved by the councils' monitoring officer and section 151 officer.

94. Internal audit provides assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit completed a self-assessment against the code in 2012/13 to identify areas for further improvement and no actions were identified. The next self-assessment will be completed in 2015/16.

Action: To assess the need for anti-fraud and corruption training for councillors and officers in 2015/16.

RISK MANAGEMENT

95. Paragraphs 96 – 100 below describe the council’s framework for risk management. During much of 2014/15 whilst the officer with responsibility for risk management was on maternity leave, there was little proactive risk management activity. This was sanctioned by the strategic director with responsibility for risk management. The officer returned in late 2014 and was able to apply her risk management skills to the business continuity response to the council office fire and is now revitalising the risk management framework.
96. The risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact are assessed, the gross and net risks are identified and responsibility for mitigating actions is assigned to appropriate officers. The council has designated risk champions for all service areas who refresh the operational risk registers quarterly, which heads of service review. The process requires the strategic management board to regularly review the strategic risk registers and also requires a report to the Audit and Governance Committee summarising the contents of operational risk registers.
97. The council has a strategic risk register, owned by the strategic management board, with clear links between risks and strategic objectives. The process requires the strategic management board to review the strategic risk register. Responsibility for implementing the required mitigating actions is assigned to a strategic director or the chief executive.
98. 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.
99. The strategic management board has identified dependence on partnerships as a strategic risk and included this in the strategic risk register.
100. 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.

Action: To review and update the risk management arrangements in 2015/16.

ANTI-FRAUD, BRIBERY, MONEY LAUNDERING AND WHISTLEBLOWING

101. 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 has 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.

102. The council actively participates in the national anti-fraud initiative; publicises successful cases against 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 administering penalties and cautions. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.
103. The internal control arrangements in place include the council's Constitution, the provision of an internal audit service, the presence of an active Audit and Governance Committee, transparent governance reporting through an assurance framework, and compliance with relevant laws and regulations.
104. The risk of money laundering to the council remains low. However, the council has an anti-money laundering policy and procedure and has designated the section 151 officer to be the council's anti-money laundering reporting officer.
105. In 2011, the council reviewed the anti-money laundering policy making it a joint policy with South Oxfordshire District Council. At the same time the anti-fraud and corruption policy was updated to build in the requirements of the Bribery Act. During 2015/16 the anti-fraud, bribery and corruption policy, whistleblowing policy and anti-money laundering policy will be reviewed and updated.

Action: To review the anti-fraud, bribery and corruption policy, whistleblowing policy and anti-money laundering policy in 2015/16.

BUSINESS CONTINUITY

106. As a result of the devastating fire which gutted our offices and significantly disrupted our services, the council's business continuity arrangements were severely tested. The council has started a full review of our business continuity response which will feed into a revision of our business continuity arrangements in light of changes to our office accommodation and new IT infrastructure. The council has a joint disaster recovery site with South Oxfordshire 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.

Action: To review the disaster recovery and business continuity arrangements in light of changes to office accommodation and new IT infrastructure in 2015/16.

AUDIT AND GOVERNANCE COMMITTEE

107. The Audit and Governance Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005).

Action: To establish a joint audit and governance committee in 2015/16, replacing the individual committees at South and Vale.

108. 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 district, town and parish councillors. The committee agreed procedures for dealing with code of conduct complaints at its meeting in July 2012.

Action: To review code of conduct review procedures in 2015/16.

SCRUTINY COMMITTEE

109. The Scrutiny Committee continues to help develop council policy and reviews performance in meeting council objectives, and it holds Cabinet accountable for its decisions.

Action: To establish a joint scrutiny committee in 2015/16, meeting at least twice a year, to review a number of standing items that affect both councils such as the performance of contractors.

COUNCILLORS' CODE OF CONDUCT

110. A new code of conduct came into effect on 1 July 2012. In May 2012 the Council decided that it would not have a standards committee but that the Audit and Governance Committee would assume responsibility for dealing with code of conduct complaints. As the need arises, officers have delivered briefings and advice on the code to district and parish and town councillors as well as to parish and town clerks.

111. In order to comply with the new legislation, the council agreed the appointment of two independent persons in 2012. The monitoring officer decides what action to take on complaints. The monitoring officer did not refer any complaints to the Audit and Governance Committee and has not sent any complaints for investigation.

Action: To provide code of conduct training for district councillors and parish council clerks in 2015/16.

EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

112. Issues raised by our external auditor, and other external inspectors are used to identify improvement areas in our governance arrangements. Ernst & Young was appointed as the council's external auditor from 1 September 2012.

113. The council prepares its accounts under International Financial Reporting Standards and Ernst & Young issued an unqualified opinion on the council's 2013/14 financial statements in September 2014.

- CERTIFICATION OF ANNUAL CLAIMS

114. In March 2015, the Audit and Governance Committee considered the annual certification report 2013/14 from the council's external auditor, EY (previously known as Ernst & Young). This looked at the sums the council claimed from the government in grants and subsidies and checked whether the council had correctly accounted for these in its returns to government. EY had certified one claim worth £27.9m. No qualification letter was issued.

- LOCAL GOVERNMENT OMBUDSMAN

115. The Local Government Ombudsman provides summary information on complaints about the council to enable it to incorporate any feedback into service improvement.

116. At its meeting in September 2014, the Audit and Governance Committee considered the Ombudsman's letter for the period 1 April 2013 to 31 March 2014. During 2013/14 the Local Government Ombudsman determined thirteen complaints and found no evidence of maladministration by the council.

Significant governance issues

117. The council proposes over the coming year to take steps to address the matters set out in the action boxes above to further enhance our governance arrangements. We, the undersigned, are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signature		Date	
	David Buckle, Chief Executive		
Signature		Date	
	Matthew Barber, Leader of the Council		

Finance

HEAD OF SERVICE: WILLIAM JACOBS



Listening Learning Leading

Mick West
Ernst & Young
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william.jacobs@southoxon.gov.uk
Tel: 01235 540526

Textphone users add 18001 before you dial

Your reference:
Our reference:

28 September 2015

Dear Mick

This representation letter is provided in connection with your audit of the financial statements of South Oxfordshire District Council ("the Council") for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of South Oxfordshire District Council as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence and
 - Appropriate alternative evidence to support entries in the financial statements, where the originals were destroyed in the fire.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet, Scrutiny Committee and Joint Audit and Governance Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 September 2015.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end.

These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.
3. We believe that the treatment of the insurance receipt following the fire in January 2015 is appropriate and complies with the relevant accounting standards.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I Use of the Work of an Expert

1. We agree with the findings of Barnett Waddingham engaged to provide IAS19 valuation services for the defined benefit pension scheme as set out in Note 17 and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records.
2. We believe the measurement processes employed, including related assumptions and models, in determining accounting estimates is appropriate and consistent with our expectations.
3. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours sincerely,

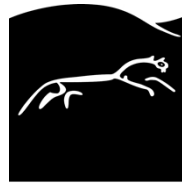
Head of Finance

I confirm that this letter has been discussed and agreed at the Joint Audit and Governance Committee on 28 September 2015

Chairman of Joint Audit and Governance Committee

Finance

HEAD OF SERVICE: WILLIAM JACOBS



**Vale
of White Horse**

District Council

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william.jacobs@southandvale.gov.uk
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Your reference:
Our reference:

28 September 2015

Dear Mick

This representation letter is provided in connection with your audit of the financial statements of Vale of White Horse District Council (“the Council”) for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Vale of White Horse District Council as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - Appropriate alternative evidence to support entries in the financial statements, where the originals were destroyed in the fire.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet, Scrutiny Committee and Audit and Corporate Governance Committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 24 September 2015.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, **Page 107**

purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I Use of the Work of an Expert

1. We agree with the findings of Barnett Waddingham engaged to provide IAS19 valuation services for the defined benefit pension scheme as set out in Note 23 and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records.
2. We believe the measurement processes employed, including related assumptions and models, in determining accounting estimates is appropriate and consistent with our expectations.
3. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours sincerely,

Head of Finance

I confirm that this letter has been discussed and agreed at the Joint Audit and Governance Committee on 28 September 2015

Chairman of the Joint Audit and Governance Committee

Joint Audit and Governance Committee



Report of Head of Finance

Author: Bob Watson, Accountancy Manager (technical)

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SODC cabinet member responsible: Councillor Jane Murphy

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VWHDC cabinet member responsible: Councillor Matthew Barber

Telephone: **07816 481452**

E-mail: matthew.barber@whitehorsedc.gov.uk

To: Joint Audit and Governance Committee

DATE: 28 September 2015

Treasury Outturn 2014-15

That Joint Audit and Governance Committee:

1. notes the treasury management outturn report 2014/15,
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy, and
3. make any comments and recommendations to cabinets as necessary.

That Cabinet:

Considers any comments from Joint Audit and Governance Committee and recommends Council to:

1. approve the treasury management outturn report for 2014/15;
2. approve the actual 2014/15 prudential indicators within the report.

Purpose of report

1. This report fulfils the legislative requirements to ensure the adequate monitoring and reporting of the treasury management activities and that the councils' prudential indicators are reported to the councils at the end of the year. The report provides details of the treasury activities for the financial year 2014/15.
2. This complies with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Practice on Treasury Management (revised) 2009.

Strategic objectives

3. Effective treasury management is required in order to meet our strategic objective of managing our business effectively. Managing the finances of the authorities in accordance with the treasury management strategy will help to ensure resources are available to deliver our services and meet the councils' other strategic objectives.

Background

4. The councils' treasury activities are strictly regulated by legislation. The CIPFA Prudential Code and CIPFA Treasury Management Code of Practice require a report to be provided to the councils at the end of the financial year.
5. This report provides details on the treasury activity and performance for 2014/15 against prudential indicators and benchmarks set for the year in the 2014/15 treasury management strategy, approved by each council in February 2014. Each council is required to approve this report.
6. Capita Asset Services are the councils' retained treasury advisors. They provide a regular forecast of interest rates and the latest forecast is reproduced at annex 'A'.

Summary of treasury activities during 2014/15

7. The performance of the two councils is summarised in the table below. Detailed performance review is contain in Appendix 1 (SODC) and Appendix 2 (VWHDC).

		South Oxfordshire District Council	Vale of White Horse District Council
1	Average investment balance	£127,831,000	£30,874,514
2	Budgeted investment income	£2,090,000	£355,500
3	Actual investment income	£2,492,767	£430,807
4	Surplus/(deficit) (3) – (2)	£421,605	£75,307
5	Rate of return (3) ÷ (1)	1.950%	1.395%
6	Benchmark rate of return: 3 month LIBID Industry average*		0.43% 0.75%
7	Borrowing	Nil	Nil

*Capita Asset Services - weighted average of 5 fund managers results covering 22 funds.

8. Even with the bank base rate continuing at a half of one percent, which has restricted the investment rates on offer, both councils have exceeded their budgeted income targets. Neither council has had to borrow for long-term capital financing or short-term for cash flow purposes during the year.
9. Both councils continue to invest with regard for security, liquidity and yield, in that order. Detailed reports on the treasury activities for each council are contained in Appendix 1 – South Oxfordshire DC and Appendix 2 – Vale of White Horse DC. A detailed list of both councils' investments as at 31 March 2015 is shown at Annex B.

Treasury management limits on activity

10. Prudential limits. Both councils are required by the Prudential Code to report on the limits set each year in the Treasury Management Strategy. The purpose of these limits is to ensure that the activity of the treasury function remains within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if these limits are set to be too restrictive they may impair the opportunities to reduce costs/improve performance. During the year none of these limits were exceeded. These limits are shown in annex C.
11. Liquidity and yield. The benchmarks for liquidity are set to ensure that sufficient funds can be accessed at short notice. These are set as targets and not definitive limits. The weighted average life (wal) in days sets an indicator for how long investments should be made and the benchmark is a target set to ensure that investments are not made for too long.

Debt activity during 2014/15

12. During 2014/15 there has not been a need for either council to borrow and both councils continue to take a prudent approach to their debt strategy. The prudential indicators and limits set out in annex C provide the scope and flexibility for the Council to borrow in the short-term up if such a need arose for cash flow purposes to support the council(s) in the achievement of their service objectives.

Financial implications

13. The investments made in 2014/15 ensured that both councils exceeded their budgeted targets for investment income. Income earned from investments is used to support the councils' medium term financial plans and contributes to the councils' balances, or supports the in-year expenditure programmes.
14. Looking forward, income is anticipated to remain stable with any increase due to rises in market rates offset by a general reduction in the balances available to invest. This will be reflected in the councils' 2016/17 budgets and medium term financial plans.

Legal implications

15. There are no significant legal implications as a result of the recommendations in this report. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the DCLG Local Government Investment Guidance provides assurance that the councils' investments are, and will continue to be, within their legal powers.

Conclusion

16. The financial year 2014/15 continued to provide a challenge to treasury management with a difficult environment to invest in. The main factors were:

- low investment returns and difficulty to place long term investments;
- increased counterparty risk – reduced choice of counterparties
- interest rate exposure risk – due to investments held in short-term maturity periods.

17. Despite the uncertainty, both councils continued to make investments during 2014/15 that maintained security and liquidity whilst providing a return that exceeded market benchmarks.

Background papers

- Chartered Institute of Public Finance and Accounting (CIPFA) code of practice for treasury management in the public sector.
- DCLG Local Government Investment Guidance
- CIPFA treasury management in the public services code of practice and cross sectoral guidance notes
- Treasury Management Strategy 2014/15 – Councils in February 2014.

Appendices

1. SODC – detailed treasury performance – 1 April 2014 to 31 March 2015
2. VWHDC – detailed treasury performance – 1 April 2014 to 31 March 2015

Annexes

- A – Forecast of interest rates
- B – List of investments as at 31 March 2015
- C – Prudential indicators
- D – Glossary of terms

Appendix 1

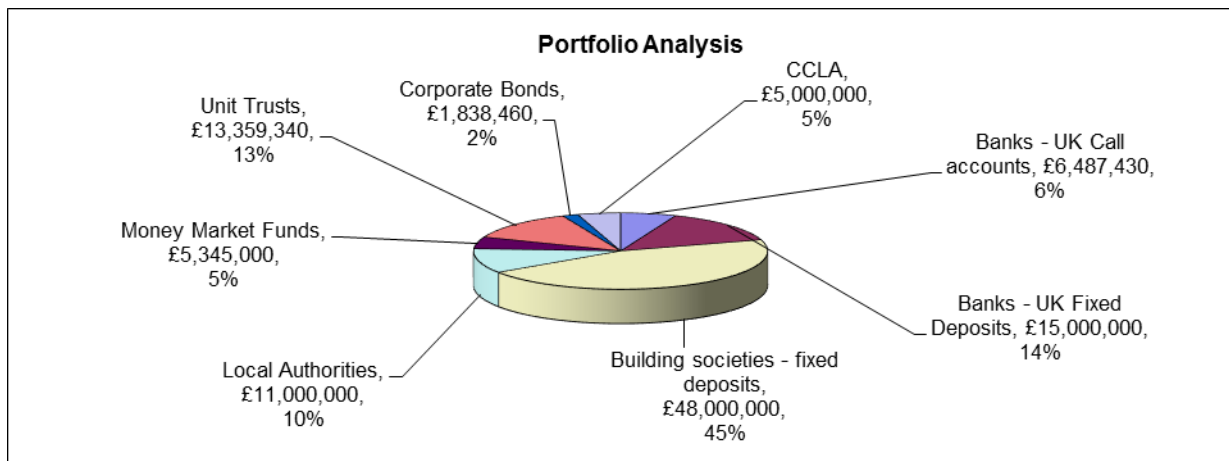
SODC treasury activities in 2014/15

Council investments as at 31 March 2015

1 - 1. The Council's investments, analysed by age as at the end of 2014/15, is shown in table 1 below.

Table 1: maturity structure of investments as at 31 March 2015:	Total £000	% holding
Cash deposits:		
Call account	6,487	6%
Notice account	-	0%
Up to 1 month	6,500	6%
2 month	8,000	8%
3 month	10,000	9%
4 month	9,500	9%
5-6 Month	8,000	8%
7-12 Month	15,000	14%
1 -2 Year	5,000	5%
2-7 Year	12,000	11%
Kaupthing Singer & Friedlander	222	0%
Total cash deposits	80,710	76%
CCLA pooled property fund	5,000	5%
Equities	13,359	13%
Corporate bonds	1,838	1%
Money market funds	5,345	5%
Overall total	106,253	100%

1 - 2. A significant proportion of the portfolio is held in the form of fixed interest rate cash deposits. These provide some certainty over the investment return. The chart below shows in percentage terms how the portfolio is spread across the investment types:



Investment income

1 - 3. The total interest earned on investments during 2014/15 was £2.4 million, compared to the original estimate of £2.1 million, as shown in table 2 below:

Table 2: Investment interest earned by investment type			
Investment type	Interest earned		
	Annual Budget	Actual	Variation
	£000	£000	£000
Call accounts	250	57	(193)
Cash deposits < 1yr	560	725	165
Cash deposits > 1yr	526	219	(307)
MMF	34	17	(17)
Corporate Bonds	120	121	1
Equities	300	409	109
SOHA	0	623	623
CCLA	300	322	22
	2,090	2,493	403

1 - 4. The variation in investment earnings of £403,000 above the original estimate for 2014/15 is due to a number of reasons:

- Interest received on unit trusts was £109,000 higher than forecast due to the overall increase in the value during the year.
- Interest earned on SOHA property was not budgeted as the loan was finalised post budget setting and therefore achieved £623,000 of extra interest income.
- Interest earned on cash deposits was £351,000 lower than forecast due to a significant drop in interest rates achieved.
- Interest earned on CCLA was £22,000 higher due to fluctuations in the price of units held.
- The call accounts earned less interest than forecast as a result of rates reducing on our accounts.
- The unbudgeted SOHA loan had decreased the funds available for other investments.

1 - 5. The actual average interest rate of return achieved for the year was 1.95 per cent.

Movement in the value of investments

1 - 6. Table 3 below shows the movement in value of the Council's investments at the end of the year.

Table 3: Investment portfolio values and movements.	2013/14 £m's	2014/15 £m's	Movement in Investments
Cost Values (£m's)			
Bank & Building Society deposits	81.94	80.71	(1.23)
Money Market Funds	0.93	5.35	4.42
CCLA	5.00	5.00	0.00
Equities	12.51	13.36	0.85
Corporate Bonds	1.95	1.84	(0.11)
	102.33	106.26	3.93

The value of investment deposits fluctuates throughout the year due to cash flow and spending patterns.

Performance measurement

- 1 - 7. A list of investments as at 31 March 2015 is shown in annex B. All investments were with approved counterparties. The average level of investments held was £128 million and the average return on these investments is shown below in table 4. This shows in summary the performance of the council's investments against the benchmarks set out in the Treasury Management Strategy. These benchmarks are used to assess and monitor the council's investment performance for each type of investment.

Table 4: Investment returns achieved against benchmark				
	Benchmark Return	Actual Return	Growth (Below)/above Benchmark	Benchmarks
Bank & Building Society deposits - internally managed	0.43%	1.08%	0.65%	3 Month LIBID
Equities	3.04%	4.95%	1.91%	FTSE All Shares Index
Property related investments (excluding SOHA loan)*	11.98%	10.12%	(1.86%)	IPD balanced property unit trust index
Corporate Bonds	0.50%	9.91%	9.41%	BoE base rate

*source CCLA Local Authorities Property Fund Report March 2015

Note: the benchmark return for unit trusts reflects the movement in capital value. All other benchmarks reflect earnings of investment income. The total actual return for the whole investment portfolio was 1.95 per cent.

- 1 - 8. Bank and building society deposits decreased by £1.23 million during the year from £81.94 million as at 1 April 2014 to £80.71 million by 31 March 2015.
- 1 - 9. Returns on internally managed cash deposits are benchmarked against the three month LIBID rate, which was an average of 0.43 per cent for 2014/15. The performance for the year of 1.08 per cent exceeded the benchmark by 0.65 per cent.
- 1 - 10. It remained difficult to place investments because of continued financial uncertainty. Some good rates were achieved which contributed to the increase in investment income during the year. The government's Funding for Lending

Scheme (FLS) was introduced in August 2012. As a result interest rates at which banks and building societies accepted deposits from local authorities dropped sharply. After this, investments were primarily held in call accounts which offered a better return than the market rates for deposits.

- 1 - 11. Local authority market rates for cash deposits have historically been around the same level as the three month LIBID rate. However, actual rates achieved are dictated by changeable factors, such as cash flow and the market demand for funds. For the purposes of providing comparative performance indicators, the market average rates of interest are shown in table 5.

Table 5: Cumulative performance against benchmark & industry average	Cumulative % returns
Actual	1.08
Benchmark - 3 Month LIBID	0.43
Variance - (Under)/Over benchmark	0.65
Industry average*	0.75
Variance - (Under)/Over Ind Average	0.33

*Source: Capita Asset Services - weighted average of 5 fund managers results covering 22 funds.

Equities

- 1 - 12. The council's holdings with the Legal & General (L&G) UK 100 Index Trust were purchased in 2000/01 at an initial cost of £10 million. This is an authorised unit trust incorporated in the United Kingdom and regulated by the FSA. The trust's objective is to track the capital performance of the UK equity market as represented by the FTSE 100 index.
- 1 - 13. The unit trusts are accounted for in the Council's financial statements at fair value¹. Table 6 below shows the movement in capital value:

Table 6: Unit Trusts - Movement in capital

¹ Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. In some cases this will be the amount paid for purchasing the investment. This may not always be the case, where there have been substantial transaction costs (as in an investment fund), or where interest payable does not reflect market rates or obligations (as in corporate bonds).

	£	£
Market Value as at 31.3.15		13,359,340
Less:		
Dividends received in year	228,752	
Accrued dividends	180,000	
		(408,752)
Add:		
Disposal in year		-
Amended market value as at 31.3.15		12,950,588
Market value as at 1.4.14		12,509,147
Increase in Market Value in year		441,441

1 - 14. The value quoted in the statement of accounts includes adjustments for accrued interest. In order to assess the true unit trust performance an adjustment must be made to amend the market value². Table 7 below shows the unit trust performance without the accounting adjustments required for the statement of accounts:

1 - 15. The value of the council's unit trusts have increased throughout the year. Volatility in the markets which had previously driven investors to move to safer havens such as gilts, seem to be ignored as investors have moved back to equities in search of better returns, which has seen an increase in equity prices as a whole.

Table 7: Unit Trust performance 1.4.14 - 31.3.15	
Increase in FTSE all share was	3.04%
Increase in Market Value	3.53%
Under-performance	0.49%
	£
Market Value 1.4.14	12,509,147
Plus 3.04% FTSE increase	380,278
Benchmark Market Value at 31.3.15	12,889,425
Market Value (amended at 31.3.15)	12,950,588
Over performance 1.4.14 to 31.3.15	61,163

1 - 16. Dividends received of £0.2 million were reinvested to acquire additional fund units. The unit trusts are benchmarked against the FTSE All Shares Index, which

² Market value: this is the price that would be paid on a specific date.

represents 98-99 per cent of the UK market capitalisation. The index shows the performance of all eligible companies listed on the London Stock Exchange main market and today covers 630 constituents with a combined value of nearly £1.8 trillion. It is recognised as the main benchmark for unit trusts.

Corporate Bonds

1 - 17. The Council’s corporate bonds are also accounted for in the financial statements at fair value. The opening carrying value for 1 April 2014 was £1.9 million. The closing carrying value at 31 March 2015 was £1.9 million. The carrying values and market values for the corporate bonds are shown in table 8 below:

Table 8: Corporate bond values					
Bonds	Original cost £000's	Nominal Value £000's	Carrying Value as at 1.4.14 £000's	Carrying Value as at 1.4.15 £000's	Market value at 1.4.15
Santander 11.50%	422	270	311	299	312
RBS 9.625%	1,973	1,500	1,589	1,549	1,526
	2,395	1,770	1,900	1,848	1,838

1 - 18. The weighted average return on the Council’s corporate bonds for 2014/15 was 9.91 per cent, this significantly exceeded the benchmark return.

1 - 19. The corporate bonds mature on dates between 2015 and 2017. Annual interest earned will remain the same for the whole period a bond is held. Table 9 below shows the redemption yield of the bonds if held until the redemption date.

Table 9: corporate bond redemption yields if held to maturity								
Bank	Interest rate %	Original cost £000	Nominal value £000	Interest to date	Interest due	Redemption value £000	Redemption date	Redemption yield
Santander	11.50%	422	270	334	93	697	04/01/2017	5.59%
RBS	9.63%	1,973	1,500	1,673	239	3,412	22/06/2015	6.20%

Money market funds (MMFs)

1 - 20. Money market funds are commercially run pooled investments. They work rather like unit trusts, but whereas the latter are based upon shares in companies, MMFs rely on loans to companies. As their pooled funds have a high total value, better rates of return can be obtained. Legislation allows authorities to access only those MMFs with the highest possible credit rating (AAA).

1 - 21. Access and liquidity, together with high security, have meant these funds have been used throughout the year. The Council currently invests in three MMFs and the amount held in each at the 31 March 2015 is shown below:

Table 10: Money market funds	31/03/2015 £000
Deutsche Bank	265
Blackrock	4,690
Goldman Sachs	390
	5,345

Icelandic bank default – Kaupthing Singer & Friedlander

- 1 - 22. The Council invested £2.5 million in July 2007 with the failed Icelandic bank Kaupthing Singer and Friedlander Ltd (KSF). The Council has received £2,144,488 to date in respect of the claim for £2.6 million (£2.5 million investment plus interest).
- 1 - 23. As a wholesale depositor, the Council is treated as an unsecured creditor in the administration process and ranks equally with all other unsecured creditors. The administrators intend to make further payments at regular intervals. The latest creditors' report now indicates that the estimated total amount to be recovered should be in the range of 84p to 86.5p in the pound. In total terms this would mean receiving between £2,209,901 and £2,275,671.

Land and property

- 1 - 24. The Council holds a portfolio of investment property which includes land, industrial estates, depots, garages and shops that are used on a commercial basis. These assets had a net book value of £15.9 million at 31 March 2015 (£15.9 million at 31 March 2014) and generated income (net of any direct service costs) of £1.1 million in 2014/15 (£1.1million in 2013/14) giving a gross rate of return of 6.9 per cent.
- 1 - 25. The Economy, Leisure and Property (ELP) team manages investment property, ensuring that rent is collected and rent reviews are implemented. The performance of the investment property is assessed annually by ELP to determine if assets should be retained or disposed of and agree any actions to improve or enhance the value of the investment property holdings.

Liquidity and yield

- 1 - 26. The amount maintained for liquidity was £12 million and was above the benchmark – this reflected better than market rates negotiated on call accounts and was not as a need for increased liquidity. The actual for the wal of 290.6 days was within the range set. The reason that the actual was above the benchmark is that during the year the council lent out some longer term investments to spread the investment portfolio and access better returns – like many others, the council is struggling to achieve suitable investment returns in the short to medium term investment market.
- 1 - 27. The year end position against the original benchmarks approved in February 2014 is shown below:

Table 11: Risk-liquidity against benchmark

	2014/15 Benchmark £m	2014/15 Actual £m
Bank overdraft*	Nil	0
Short term deposits - minimum available within 1 week	10	12
	2014/15 Benchmark £m	2014/15 Actual £m
Weighted average life (days)	182.5	290.6

*Since 1 April 2014, following the re-tender process for the bank contract, the council no longer has an agreed overdraft facility.

Summary

1 - 28. As at 31 March 2015, the Council's financial investments had a cost value of approximately £107 million. As a result of proactive management of investments held, and despite the low interest rates, during 2014/15 investments generated £2.493 million in investment income, which was £403,000 above the £2.090 million original budgeted estimate.

Appendix 2**VWHDC treasury activities in 2014/15****Council investments as at 31 March 2015**

2 - 1 The council's investments at 31 March 2015 were as follows:

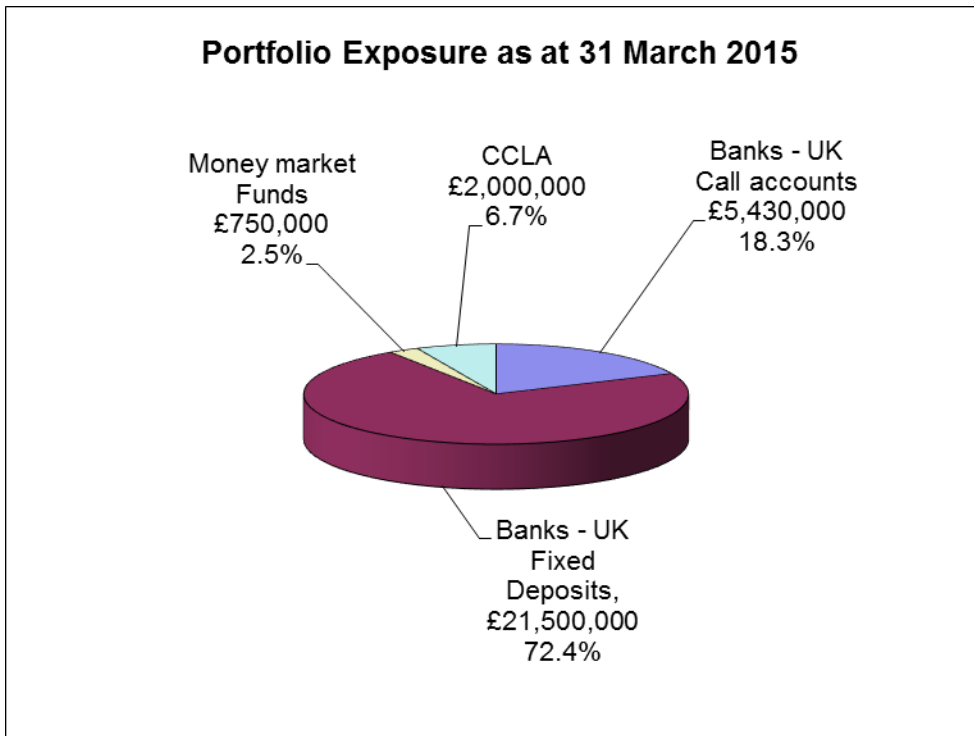
Table 1: maturity structure of investments at 31 March 2015:		
	£000's	% holding
Call	5,430	18%
Money market fund	750	3%
Up to 4 months	4,000	13%
5-6 months	-	0%
6 months to 1 year	13,500	45%
Over 1 year	4,000	13%
Total cash deposits	27,680	93%
CCLA Property Fund	2,000	7%
Total investments	29,680	100%

2 - 2 The majority of the funds invested are held in the form of fixed interest rate and term cash deposits. These provide some certainty over the investment return. The investment profile is organised in order to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.

2 - 3 Money market rates over the year have remained very low and flat. One year rates have steadied and are now averaging just below one per cent. The government's Funding for Lending Scheme (FLS) has now completed, but there is still little demand for money in the markets which has perpetuated the low investment rates available. It continues to be difficult to find re-investment opportunities offering a return which also meet the security and risk criteria.

2 - 4 The weighted average maturity period at the end of the year was 484 days. This is mainly due to a long term investment with another local authority.

2 - 5 The chart below shows in percentage terms how the portfolio is spread across investment types:



Investment income

2 - 6 The total investment income achieved in 2014/15 was £432,000 compared to the original budget estimate of £356,000 as shown in table 2 below:

Table 2: Investment interest earned by investment type			
Investment type	Actual Budget £000's	Actual Interest £000's	Variation £000's
Call accounts	236	78	158
Cash deposits	120	226	(106)
MMFs	-	7	(7)
CCLA Property Fund	-	120	(120)
Total Interest	356	431	(75)

2 - 7 The actual return achieved was 21 per cent higher than the original budget. This was due to :

- The maturity period for investments was extended thereby attracting slightly higher rates.
- Average balances throughout the year have remained higher than forecast.

2 - 8 The total actual average interest rate achieved for the year was 1.39 per cent.

Performance measurement

2 - 9 The average level of investments held throughout the year was £30.8 million and the average return on these investments is shown below in table 3.

Table 3: Cumulative performance against benchmark & industry average	Cumulative % returns
Actual	1.39
Benchmark - 3 Month LIBID	0.43
Variance - (Under)/Over benchmark	0.96
Industry average*	0.75
Variance - (Under)/Over Ind Average	0.64

*Source: Capita Asset Services - weighted average of 5 fund managers results covering 22 funds.

2 - 10 The table shows in summary the performance of the council’s investments against the benchmarks set out in the treasury management strategy. These benchmarks are used to assess and monitor the council’s investment performance. The annual investment strategy set the benchmark target for internal cash invested as the 3 month LIBID. The performance for the year of 1.39% exceeded the benchmark by 0.99 per cent and was 1.13 per cent above the industry average.

Land and Property

2 - 11 The council holds a portfolio of non-operational assets, which includes land, offices and shops that are let on a commercial basis. These assets had a net book value of £20.6 million at 31 March 2015 (£20.6 million as at 31 March 2014) and generated income of £1.5 million (£1.5 million in 2013/14). This is equivalent to a gross return of 7.2% (2013/14, 7.2%), which excludes costs such as maintenance and management fees. Due to movement in property values and the exclusion of whole life costs, these rates of return should not be taken as a direct comparison with the treasury rates. The Economy, Leisure and Property (ELP) team manages investment property ensuring that rent is collected and rent reviews are implemented. The performance of the investment property portfolio is assessed annually by the property team to determine if assets should be retained or disposed of.

Icelandic bank default – Landsbanki Islands hf

2 - 12 On the 24 September 2008 the council placed a deposit of £1 million with Landsbanki Islands hf until 24 October 2008 at an interest rate of 5.95 per cent. The bank went into administration on 7 October 2008, and as a result the repayment of the deposit and interest has not been made.

2 - 13 At 24 October 2008, the amount due to be repaid was the principal amount of £1,000,000 plus interest of £4,890.41, giving a total amount of £1,004,890.41.

2 - 14 In April 2011 the Reykjavik District Court ruled that local authorities’ claims qualified for priority under Icelandic bankruptcy legislation. The decision was

appealed to the Icelandic Supreme Court who affirmed the district court's ruling in October 2011. Subsequently the Reykjavik District Court recognised the council's priority claim at £1,004,890.41.

- 2 - 15 At 31 March 2014 the council had received repayments totalling £531,286.57 with the expectation that further repayments would continue to be made until the total amount was repaid. Initial expectations were that full repayment could be by December 2018, but it increasingly became more likely that full repayment would not be before December 2021 and could be considerably or later.
- 2 - 16 Therefore, in October 2014, the council took the opportunity to sell its entire claim via Deutsche Bank AG; this decision was taken due to the tightening restrictions placed on the amount of foreign currency allowed to leave Iceland by the Icelandic government, the ongoing uncertainty about when future repayments would be made and a potential weakening of the position of priority creditors. The council therefore received a final payment of £387,605.86 (net of fees and exchange rate differences) from Deutsche Bank in November 2014 bringing the total received to £932,136.34 resulting in an overall loss of £72,754.07.
- 2 - 17 The loss has been charged to the Income & Expenditure (I&E) account in 2014/15, however due to the effect of accrued interest and impairments made in previous years, the actual amount charged to the I&E account was £37,225.11.

Table 4 Landsbanki hf - financial asset impairment	
Carrying amount at 1 April 2014	373,930.87
Add fees and exchange rate differences	13,243.94
Add accrued interest to 19 November 2014	37,656.16
	424,830.97
Final payment received	(387,605.86)
Loss charged to I&E account	(37,225.11)

- 2 - 18 The council still holds a minimal balance in an Icelandic escrow account which will be monitored with regard to repatriation, but currently the fees and exchange rates mean that the net sum the council would potentially receive makes any potential repatriation unviable.
- 2 - 19 Given the minimal remaining balances, it is not planned to report in detail on this in future treasury reports.

Liquidity and yield

- 2 - 20 The council uses short-term investments to meet daily cash-flow requirements and has also aims to invest a proportion of the portfolio over longer dated cash deposits where possible.
- 2 - 21 The amount maintained for liquidity was £11 million and was above the benchmark – this reflected better than market rates negotiated on call accounts and was not as a need for increased liquidity – there is also a dearth of short-to-medium term investments available at present that offer a reasonable rate of return over and above that on offer from the call accounts and MMFs. The actual for the wal of 484 days was within the range set. The reason that the actual was above the benchmark is that the council has previously let some long term investments

with another local authority in order to spread the investment portfolio and access better returns.

- 2 - 22 The year-end position against the original benchmarks approved in February 2014 is shown below:

Table 11: Risk-liquidity against benchmark		
	2014/15 Benchmark £m	2014/15 Actual £m
Bank overdraft	0	0
Short term deposits - minimum available within 1 week	10	11
	2014/15 Benchmark £m	2014/15 Actual £m
Weighted average life (days)	150.0	484.0

Summary

- 2 - 23 As at 31 March 2015, the council's financial investments portfolio had a value of £29.57million. As a result of proactive management of investments held, and despite the continuing low market interest rates, during 2014/15 these investments generated £432,000 in investment income, which was £76,000 above the £355,500 original budgeted estimate.

Forecast of interest rates as at September 2015

The table below shows Capita Asset Services' forecast of the expected movement in medium term interest rates:

	NOW	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
BANK RATE	0.50	0.50	0.50	0.50	0.75	0.75
3 month LIBID	0.52	0.50	0.60	0.70	0.80	0.90
6 month LIBID	0.66	0.70	0.80	0.90	1.00	1.10
12 month LIBID	0.98	1.00	1.10	1.20	1.30	1.40
5 yr PWLB	2.10	2.30	2.40	2.50	2.60	2.80
10 yr PWLB	2.80	2.90	3.00	3.20	3.30	3.40
25 yr PWLB	3.40	3.60	3.70	3.80	4.00	4.10
50 yr PWLB	3.40	3.60	3.70	3.80	4.00	4.10
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
BANK RATE	1.00	1.00	1.25	1.50	1.50	1.75
3 month LIBID	1.10	1.30	1.40	1.50	1.80	1.90
6 month LIBID	1.30	1.50	1.60	1.70	2.00	2.10
12 month LIBID	1.60	1.80	1.90	2.00	2.30	2.40
5 yr PWLB	2.90	3.00	3.10	3.20	3.30	3.40
10 yr PWLB	3.50	3.70	3.80	3.90	4.00	4.10
25 yr PWLB	4.20	4.30	4.40	4.40	4.50	4.60
50 yr PWLB	4.20	4.30	4.40	4.40	4.50	4.60

South Oxfordshire District Council investments as at 31 March 2015				
Counterparty	Deposit Type	Maturity Date	Principal	Rate
HSBC	Fixed	Feb-17	2,000,000	1.90%
Kingston upon Hull City Council	Fixed	Aug-20	3,500,000	2.70%
Kingston upon Hull City Council	Fixed	Aug-20	1,500,000	2.70%
Blaenau Gwent County Borough Council	Fixed	Apr-16	3,000,000	1.38%
Kingston upon Hull City Council	Fixed	Jan-21	2,000,000	2.50%
West Bromwich Building Society	Fixed	May-15	2,000,000	0.95%
Skipton Building Society	Fixed	May-15	2,000,000	0.91%
West Bromwich Building Society	Fixed	Jun-15	3,000,000	0.90%
National Counties Building Society	Fixed	Apr-15	1,500,000	0.80%
National Counties Building Society	Fixed	Apr-15	2,000,000	0.85%
Newcastle Building Society	Fixed	Apr-15	2,000,000	0.93%
West Bromwich Building Society	Fixed	Jul-15	4,000,000	1.15%
Skipton Building Society	Fixed	Jul-15	1,500,000	0.93%
Newcastle Building Society	Fixed	May-15	2,000,000	0.95%
National Counties Building Society	Fixed	May-15	2,000,000	0.90%
West Bromwich Building Society	Fixed	Jul-15	1,000,000	1.10%
Manchester Building Society	Fixed	Apr-15	1,000,000	0.90%
National Counties Building Society	Fixed	Jun-15	2,000,000	0.84%
Progressive Building Society	Fixed	Jun-15	1,000,000	0.83%
Progressive Building Society	Fixed	Jun-15	1,000,000	0.83%
Skipton Building Society	Fixed	Sep-15	2,000,000	1.00%
Furness Building Society	Fixed	Jun-15	2,000,000	0.85%
Close Brothers	Fixed	Sep-15	2,000,000	1.30%
Close Brothers	Fixed	Oct-15	2,000,000	1.30%
Progressive Building Society	Fixed	Aug-15	1,000,000	0.88%
Manchester Building Society	Fixed	Jul-15	2,000,000	0.93%
Manchester Building Society	Fixed	Jul-15	2,000,000	0.88%
Newcastle Building Society	Fixed	Sep-15	2,000,000	1.00%
National Counties Building Society	Fixed	Sep-15	1,000,000	0.95%
Close Brothers	Fixed	Nov-15	3,000,000	1.30%
Progressive Building Society	Fixed	Oct-15	2,000,000	0.90%
Close Brothers	Fixed	Dec-15	3,000,000	1.30%
Royal Bank of Scotland	Fixed	Jan-18	2,000,000	1.25%
Royal Bank of Scotland	Fixed	Feb-19	2,000,000	1.20%
Principality Building Society	Fixed	Mar-16	2,000,000	0.92%
Skipton Building Society	Fixed	Mar-16	3,000,000	1.00%
Santander	Call		6,390,000	0.90%
Royal Bank of Scotland	Call		2,329	0.85%
Royal Bank of Scotland	Call		95,101	0.80%
Goldman Sachs	MMF		390,000	Variable
Deutsche Bank	MMF		265,000	Variable
Blackrock	MMF		4,690,000	Variable
L&G Equities	Unit trust		13,359,340	Variable
Royal Bank of Scotland	Corporate bond		1,526,475	9.63%
Santander	Corporate bond		311,985	11.50%
CCLA - property fund	Property fund		5,000,000	4.65%
GRAND TOTAL			105,030,230	

Vale of White Horse District Council investments as at 31 March 2015

Counterparty	Deposit Type	Maturity Date	Principal	Rate
Hull City Council	Fixed	January 2021	2,000,000	2.50%
Hull City Council	Fixed	August 2020	2,000,000	2.70%
Close Brothers Ltd	Fixed	October 2015	1,500,000	1.35%
West Bromwich Building Society	Fixed	January 2015	3,000,000	1.05%
Lloyds TSB Bank Plc	Fixed	March 2015	3,000,000	1.00%
Lloyds TSB Bank Plc	Fixed	March 2016	6,000,000	1.00%
National Counties Building Society	Fixed	January 2016	2,000,000	1.00%
National Counties Building Society	Fixed	November 2015	1,000,000	0.98%
Progressive Building Society	Fixed	July 2015	1,000,000	0.85%
Santander	Call		4,930,000	0.90%
Lloyds TSB Bank Plc	Call		500,000	0.40%
Goldman Sachs	MMF		750,000	Variable
GRAND TOTAL			27,680,000	

Annex C

Prudential indicators as at 31 March 2015				
	Vale		South	
	2014/15	31.03.2015	2014/15	31.03.2015
	Original estimate	Position	Original estimate	Position
	£m	£m	£m	£m
Authorised limit for external debt				
Borrowing	30	0	5	0
Other long term liabilities	5	0	5	0
	35	0	10	0
Operational boundary for external debt				
Borrowing	25	0	2	0
Other long term liabilities	0	0	3	0
	25	0	5	0
Investments				
Interest rate exposures				
Limits on fixed interest rates	60	18	100	100
Limits on variable interest rates	30	6	30	30
Maximum principal sums invested > 364 days				
Upper limit for principal sums invested > 364 days	30	4	70	57
Limit to be placed on investments to maturity				
1 - 2 years	0	0	70	5
2 - 5 years	0	0	50	10
5 years +	0	0	50	2
Investment portfolio spread				
Supranational bonds	10	0	15	0
Gilts	n/a	0	15	0
Equities*	3	0	10	13
Corporate bonds	5	0	10	2
Money market funds	20	1	20	5
Pooled bond fund	0	0	5	0
Property - direct investments	n/a	0	30	16
Property related pooled funds	3	2	20	5
Cash and certificates of deposit			85%	76%
Debt management account deposit facility	100%		100%	0%

*Limit at time of purchase - Equities include accumulated dividends

Annex D

GLOSSARY OF TERMS

Basis point (BP)	1/100th of 1%, i.e. 0.01%
Base rate	Minimum lending rate of a bank or financial institution in the UK.
Benchmark	A measure against which the investment policy or performance of a fund manager can be compared.
Bill of Exchange	A non-interest-bearing written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date.
Callable Deposit	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
[Cash] Fund Management	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
Certificate of Deposit (CD)	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD.
Commercial Paper	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
Corporate Bond	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
Counterparty	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)

Credit Default Swap (CDS)	A swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.
Capital Financing Requirement (CFR)	The amount the council has to borrow to fund its capital commitments.
CIPFA	Chartered Institute of Public Finance and Accountancy.
CLG	[Department for] Communities and Local Government.
Derivative	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
Debt Management Account Deposit Facility (DMADF)	Deposit Account offered by the Debt Management Office, guaranteed by the UK government
European Central Bank (ECB)	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is to keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
European and Monetary Union (EMU)	The Economic and Monetary Union (EMU) is an umbrella term for the group of policies aimed at converging the economies of all member states of the European Union.
Equity	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital appreciation. Equity values can decrease as well as increase.
Forward Deal	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
Forward Deposits	Same as forward dealing (above).
Fiscal Policy	The government policy on taxation and welfare payments.
GDP	Gross Domestic Product.
[UK] Gilt	Registered UK government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.

LIBID	London inter-bank bid rate
LIBOR	London inter-bank offered rate.
Money Market Fund	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however in a MMF.
Monetary Policy Committee (MPC)	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2.5% in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
Other Bond Funds	Pooled funds investing in a wide range of bonds.
PWLB	Public Works Loan Board.
QE	Quantitative Easing.
Retail Price Index	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
Sovereign Issues (excl UK Gilts)	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
Supranational Bonds	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts.
Treasury Bill	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.

Joint Audit and Governance Committee



Report of Audit Manager

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To: Joint Audit and Governance Committee

DATE: 28 September 2015

Internal audit management report quarter two 2015/2016

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 2015/2016 audit plan up to 14 September 2015; and
 - to summarise the priorities for quarter three 2015/2016.

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 01235 540389.

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. The SODC committee approved the 2015/2016 annual internal audit plan on 17 March 2015 and the VWHDC committee approved the 2015/2016 annual internal audit plan on 19 March 2015.

Management issues

6. There are no management issues to report.

Progress against the 2015/2016 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 to date are as follows:

	Target	YTD	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16
Chargeable (identifiable client and/or specific IA deliverable)	74%	72.5%	63%	78%	N/A	N/A
Non-Chargeable (corporate, not IA deliverable)	8%	8%	11%	6%	N/A	N/A
Planned Lost (i.e. leave)	16%	12%	14%	12%	N/A	N/A
Unplanned Lost (i.e. study, sickness)	2%	7.5%	12%	4%	N/A	N/A

9. As at 14 September 2015 the status of audit work against the 2015/2016 audit plan is as follows:

Planned

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

2015/2016	Planned	Complete	Draft	In progress	To commence
PLANNED	27	3	3	3	18
Joint	27	3	3	3	18

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).

2015/2016	Requested	Complete	Draft	In progress	To commence
ADHOC	1	0	0	1	0
Joint	1	0	0	1	0
SODC	0	0	0	0	0
VWHDC	0	0	0	0	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 unless the area is subject to an annual review.

2015/2016	Requested	Complete	Draft	In progress	To commence
FOLLOW-UP	20	14	0	0	6
SODC	10	7	0	0	3
VWHDC	10	7	0	0	3

Priorities for 2015/2016 quarter three (October 2015 – December 2015)

10. The priorities for quarter three are to:

- Update all internal audit procedures to incorporate the new electronic method of working.

- Embed the internal audit recommendations database across all service areas.
- Implement the business continuity recommendations and lessons learnt.

11. Remaining 2015/2016 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

PLANNED AUDIT 2015/2016

APPENDIX 1

System Name	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
As at 14 September 2015													
JOINT													
Procurement (26 priority score) SODC VWHDC	Completed	16	8.5 8.5		Limited Limited	9 8	2 1	2 1	5 5	5 5	2 2	2 2	0 0
Payroll (24) SODC VWHDC	TOR sent	36	0.0 0.0										
Housing & Council Tax Reduction Scheme (22) SODC VWHDC	To commence Q3	30	0.0 0.0										
Leisure Centres (22) SODC VWHDC	In progress	30	9.0 9.0										
Elections & Election Payments (22) SODC VWHDC	To commence Q4	30	0.0 0.0										
Council Tax (21) SODC VWHDC	To commence Q3	20	0.0 0.0										
General Ledger (21) SODC VWHDC	To commence Q4	20	0.0 0.0										
National Non-Domestic Rate (21) SODC VWHDC	TOR sent	20	0.0 0.0										
Sundry Debtors (21) SODC VWHDC	To commence Q3	20	0.0 0.0										
ICT(21) SODC VWHDC	To commence Q4	20	0.0 0.0										
Creditor Payments (20) SODC VWHDC	TOR sent	20	0.5 0.5										
Pro-Active Anti-Fraud Review (20) SODC VWHDC	To commence Q3	20	0.0 0.0										
Insurance (20) SODC VWHDC	To commence Q4	20	0.0 0.0										

Capital Management and Accounting (19) SODC VWHDC	To commence Q3	14	0.0 0.0											
Cash Office (19) SODC VWHDC	TOR sent	16	0.0 0.0											
Licensing (18) SODC VWHDC	Completed	20	10.0 10.0		Satisfactory Satisfactory	7 5	0 0	0 0	2 2	2 2	5 3	4 2	1 1	
Treasury Management (18) SODC VWHDC	To commence Q3	14	0.0 0.0											
Receipt of Income Arrangements (18) SODC VWHDC	Completed	20	10.0 10.0		Satisfactory Satisfactory	6 6	0 0	0 0	4 4	4 4	2 2	2 2	0 0	
HR Management (18) SODC VWHDC	To commence Q4	20	0.0 0.0											
HR Recruitment (17) SODC VWHDC	To commence Q4	20	0.0 0.0											
Partnership Performance Monitoring (17) SODC VWHDC	Draft out	20	10.0 10.0											
Project Management (17) SODC VWHDC	Draft out	20	8.0 8.0											
Waste Management & Recycling (17) SODC VWHDC	Draft out	20	9.0 9.0											
Consultation (Public & Staff) (16) SODC VWHDC	In progress	10	1.5 1.5											
Neighbourhood Planning Grants (15) SODC VWHDC	To commence Q2	10	0.5 0.5											
Development Management (13) SODC VWHDC	In progress	20	7.0 7.0											
LEADER Project Grant Verification (10) SODC VWHDC	To commence Q3	5	0.0 0.0											
IA PLANNED AUDIT TOTALS	-	531	148		Full Substantial Satisfactory Limited Nil	0 0 4 2 0	41	3	3	22	22	16	14	2

FOLLOW UP AUDITS 2014/2015

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC							
Anti-fraud and Corruption Policies	0.5	Limited	6	1	1	4	0
Bank Contract and Arrangements	0.25	Full	1	1	0	0	0
Contract Monitoring	0.25	Full	2	1	0	1	0
Travel and Subsistence	0.25	Full	2	2	0	0	0
VWHDC							
Anti-fraud and Corruption Policies	0.5	Limited	6	1	1	4	0
Bank Contract and Arrangements	0.25	Full	1	1	0	0	0
Contract Monitoring	0.25	Full	2	1	0	1	0
Travel and Subsistence	0.25	Full	2	2	0	0	0

FOLLOW UP AUDITS 2015/2016

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC							
Council Fees and Charges 1314	0.5	Full	2	1	0	1	0
Credit Card Usage 1314	0.5	Satisfactory	5	2	2	1	0
Land Charges 1415	0.5	Satisfactory	6	4	0	0	2
VWHDC							
Council Fees and Charges 1314	0.5	Full	2	1	0	1	0
Credit Card Usage 1314	0.5	Satisfactory	3	2	1	0	0
Land Charges 1415	0.5	Satisfactory	6	4	0	0	2
IA FOLLOW UP 15/16 TOTALS	3.0		24	14	3	3	4
SODC FOLLOW UP 15/16 TOTALS	1.5		13	7	2	2	2
VWHDC FOLLOW UP 15/16 TOTALS	1.5		11	7	1	1	2

UNPLANNED WORK 2015/2016

CONSULTANCY

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

CONTINGENCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
Expenses spot checks	In progress	3	1.5	Chief Executive
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
None	N/A	N/A	N/A	N/A

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

Joint Audit and Governance Committee

Report of Audit Manager

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To: Joint Audit and Governance Committee

DATE: 28 September 2015

Internal audit activity report quarter two 2015/2016

Recommendations

- (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 at both councils for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action will be/has been taken where necessary.
2. The contact officer for this report is Adrianna Partridge, Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 540389.

Strategic Objectives

3. Managing our business effectively.

Background

4. 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 councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary. 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.

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

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

Substantial assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being 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.

6. 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

2015/2016 Audit Reports

7. Since the last Audit and Governance Committee meeting, the following audits and follow up reviews have been completed:

Completed Audits

Full Assurance: 0

Substantial Assurance: 0

Satisfactory Assurance: 4

Limited Assurance: 2

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	Agenda Item 18		
						No. Agreed	Low Risk Recs.	No. Agreed
SODC								
Receipt of income arrangements 1516	Satisfactory	6	0	0	4	4	2	2
1. Procurement 1516	Limited	9	2	2	5	5	2	2
Licensing 1516	Satisfactory	7	0	0	2	2	5	4
VWHDC								
Receipt of income arrangements 1516	Satisfactory	6	0	0	4	4	2	2
2. Procurement 1516	Limited	8	1	1	5	5	2	2
Licensing 1516	Satisfactory	5	0	0	2	2	3	2

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC						
Council Fees and Charges 1314	Full	2	1	0	1	0
Credit Card Usage 1314	Satisfactory	5	2	2	1	0
Land Charges 1415	Satisfactory	6	4	0	0	2
VWHDC						
Council Fees and Charges 1314	Full	2	1	0	1	0
Credit Card Usage 1314	Satisfactory	3	2	1	0	0
Land Charges 1415	Satisfactory	6	4	0	0	2

8. **Appendix 1** of this report sets out the key points and findings relating to the completed audits which have received limited or nil assurance, and satisfactory or full assurance reports which members have asked to be presented to committee
9. Members of the committee are asked to seek assurance from the internal audit reports and/or respective managers that the agreed actions have been or will be undertaken where necessary.
10. A copy of each report has been sent to the appropriate service manager, the strategic management board, the section 151 officer and the relevant member portfolio holder. In addition to the above arrangements, reports are now published on the councils' intranet.

11. Internal audit continues to carry out a six month follow up on all non-financial and non-key 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.

Overdue Recommendations

12. **Appendix 2** of this report summarises all overdue recommendations within each service area. Whilst attempts have been made by internal audit and officers to review and update all of the recommendations, there have been access issues to the system which has prevented a full update. The report has been circulated to the relevant service manager, heads of service, the strategic management board and the portfolio holder.

Financial Implications

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

Legal Implications

14. None.

Risks

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

ADRIANNA PARTRIDGE
AUDIT MANAGER

1. SODC PROCUREMENT 2015/2016

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to procurement. The audit has a priority score of 26. The audit approach is provided in the audit framework in Appendix 1. The fieldwork was undertaken in July and August 2015 and the final report was issued on 7 September 2015.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- An appropriate procurement strategy is in place that is supported by comprehensive policies and procedures which are in accordance with relevant legislation and are being adhered to.
 - There is a suitable resource to ensure effective oversight of the council's procurement process itself and of individual procurement projects, with clearly defined roles and responsibilities.
 - The end to end procurement process, including e-tendering, takes account of current EU procurement thresholds, is being appropriately followed and correctly recorded.
 - There is effective usage of procurement frameworks to take advantage of partnering and collaboration opportunities.
 - Procurement performance is suitably monitored and reported.

2. BACKGROUND

- 2.1 The council procures goods and services from external suppliers to meet its obligations to deliver services to the community it serves. In the first quarter of 2015/16 the council's expenditure was £6.2m.
- 2.2 Procurement is an area that by using economies of scale and framework agreements can produce significant financial savings.
- 2.3 The council had a team known as 'performance and projects' and part of their role was procurement. This included purchasing two days a week from the Oxford City Council procurement hub team, which was expected to lead to joint procurement of larger contracts through framework arrangements. The Fit for the Future programme, which was designed to incorporate lean principles, then reviewed procurement. The outcome of this review was to disband the in-house procurement team, which was then enacted by the council. The way forward was to then buy in procurement services from Oxford City Council (1 whole time equivalent). This process collapsed when the procurement officer supplied left suddenly and Oxford City Council failed to provide a suitable replacement. The contract terminated soon afterwards.

A procurement officer was appointed in April 2015, on an 18 month contract.

3. PREVIOUS AUDIT REPORTS

- 3.1 Procurement was last subject to an internal audit review in 2009 and ten recommendations were raised. Nine were agreed. A satisfactory assurance opinion was issued. A follow up audit in 2010 identified that five recommendations remained outstanding.
- 3.2 The five outstanding recommendations have been reviewed and are no longer applicable due to structural changes in the procurement function, as well as changes in policies and strategies.

4. 2015/2016 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 Nine recommendations have been raised in this review. Two high risk, five medium risk and two low risk.

5. MAIN FINDINGS

5.1 Strategy, policy and procedures

- 5.1.1 The contracts procedures rules, which form part of the constitution have not been updated since January 2014.
- 5.1.2 The procurement expenditure thresholds, one written quotation for up to £10,000, three written quotations for up to £75,000, and tenders over £75,000 appear high by public sector standards.
- 5.1.3 There are no documented procurement procedures in place.
- 5.1.4 Area assurance: Limited
Three recommendations have been made as a result of our work in this area (Recs 1, 2 & 3).

5.2 Resources and oversight

- 5.2.1 Procurement is undertaken within service teams independently, with no requirement to seek advice or guidance from the procurement officer. There is no central review system to ensure compliance with the contract procedure rules.
- 5.2.2 As the procurement officer's role is advisory only, the council cannot be sure they are achieving value for money on procurement.
- 5.2.3 Not all procurement is supported by the appropriate documentation to adhere to the contracts procedures rules. In the sample of 10 reviewed, two of 10 supporting quotes, tenders, or framework agreements were not provided.
- 5.2.4 Area assurance: Limited

Three recommendations have been made as a result of our work in this area (Recs 4, 5 & 6).

5.3 EU procurement compliance

5.3.1 The Official Journal of the European Union (OJEU) is where all tenders in excess of certain thresholds must be advertised under European law. The current thresholds that relate to the council are supplies and services £172,514, and for works £4,322,012.

5.3.2 There is a clear breach of OJEU rules and procurement protocols regarding the procurement with one computer supplier. This supplier and the purchases from that supplier were made following advice and discussion regarding the use of emergency procedures of the constitution following the council's fire at Crowmarsh. It has also not been possible to view some of the relevant documents regarding other contracts, despite repeated requests to the relevant areas.

5.3.3 Area assurance: Limited
One recommendation has been made as a result of our work in this area (Rec 7).

5.4 Frameworks

5.4.1 The choice of procurement framework the council uses on each occasion is reliant on the knowledge of the procurement officer. Therefore it would be beneficial for a decision tree to be established to aid staff undertaking procurement in the event that the procurement officer is unavailable.

5.4.2 Area assurance: Substantial
One recommendation have been made as a result of our work in this area (Rec 8).

5.5 Reporting

5.5.1 There is no governance structure currently in place to ensure procurement undertaken by the service areas is reviewed and monitored appropriately.

5.5.2 Area assurance: Nil
One recommendation has been made as a result of our work in this area (Rec 9).

OBSERVATIONS AND RECOMMENDATIONS

STRATEGY, POLICY AND PROCEDURES

1. Contract procedure rules (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Procurement (contract procedure rules) are reviewed annually.	The council should ensure that the contract procedure rules are reviewed annually and that	Head of HR, IT and Technical Services

<p><u>Findings</u> The contract procedure rules which are part of the constitution are available on the intranet as at 4 August 2015, were dated January 2014 with no evidence of review since then.</p> <p><u>Risk</u> Failure to ensure policies and procedures are current may lead to practices being undertaken that are not in accordance with the council's strategy, leading to financial and reputational loss.</p>	<p>this review is annotated and scheduled for each year.</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed Contracts procedure rules are already reviewed annually.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>30 September 2015</p>

2. Procurement thresholds

(Medium Risk)

<p>Rationale</p>	<p>Recommendation</p>	<p>Responsibility</p>
<p><u>Best Practice</u> Detailed procurement thresholds should be regularly reviewed to ensure they are at an appropriate level.</p> <p><u>Findings</u> The thresholds used currently by the council are as follows: Up to £10,000 – one written quotation required. Between £10,000 and £75,000 – three written quotations required. Over £75,000 – competitive tender required.</p> <p>The procurement officer expressed concern and surprise that up to £75,000 expenditure could be arranged on just three written quotations. Internal audit undertook benchmarking against three other public sector bodies, which identified that the council's procurement thresholds are high in comparison.</p> <p><u>Risk</u> Failure to ensure procurement thresholds are appropriate and fit for purpose can result in inappropriate expenditure and not achieving value for money, leading to reputational damage and financial loss.</p>	<p>The council should review their procurement thresholds, ensure they are fit for purpose, appropriate and there are sufficient controls in place to identify non-compliance with the contract procedures rules.</p>	<p>Head of HR, IT and Technical Services</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed Last review of thresholds was in the autumn of 2011, when thresholds were raised in order to simplify the process and reduce</p>		<p>31 December 2015</p>

<p>the time to procure. Previous benchmarking has demonstrated a wide range of thresholds at comparable councils and I do not believe that South and Vale have exceptionally high thresholds. However, a review based on sufficient evidence and assessment of risk would be a reasonable step to take.</p> <p>Management response: Head of HR, IT and Technical Services</p>	
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3. Procurement procedures

(Medium Risk)

Rationale	Recommendation	Responsibility
<p>Best Practice Clear documented procedures detailing how to procure items should be in place, for all staff who may have the need to purchase equipment or services.</p> <p>Findings The council has no documented procedures for procurement.</p> <p>Risk Failure to provide staff with clear instruction and guidance regarding procurement, will lead to local practices developing, and an inconsistent approach, resulting in value for money not being maximised, reputational loss and financial loss.</p>	<p>Clear procedures for all areas of the council involved in procuring goods and services need to be developed, approved, regularly reviewed, monitored, and evidenced with a named individual or role responsible for the procedures and for updating intranet guidance.</p>	<p>Procurement Officer</p>
Management Response		Implementation Date
<p>Recommendation is Agreed The procurement officer is responsible for the procedures and for updating the guidance on the intranet. These will include the requirement for all expenditure in excess of £5000 to be recorded on the South East Business Portal.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

RESOURCES AND OVERSIGHT

4. Pre commitment

(Medium Risk)

Rationale	Recommendation	Responsibility
<p>Best Practice Procurement as a functional department should review all procurement expenditure prior to commitment to buy, to see if savings can be achieved through economies of scale or framework agreements.</p> <p>Findings At present procurement is only an advisory function and there is no mandate for all procurement to be reviewed by the procurement function.</p>	<p>All expenditure on goods and services should be reviewed by the procurement officer prior to the expenditure being authorised.</p>	<p>Procurement Officer</p>

<p><u>Risk</u> Failure to ensure all procurement expenditure is reviewed to maximise savings and reduce costs, can lead to the council's purchases being more expensive than necessary, resulting in financial and reputational loss.</p>		
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

5. Post commitment

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procurement should be reviewed by a second official to ensure compliance with council rules.</p> <p><u>Findings</u> There is no evidence of a consistent review of procurement in all areas, to provide assurance that procurement is being undertaken in accordance with the council's rules.</p> <p><u>Risk</u> Failure to ensure procurement is undertaken correctly can lead to procurement being undertaken ultra vires to council rules, resulting in not achieving best value for money.</p>	<p>All procurement expenditure should be advised to the procurement department so that a check can be conducted to ensure that appropriate monitoring is undertaken.</p>	<p>Procurement Officer</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

6. Supporting documentation

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All expenditure incurred should be</p>	<p>All procurement should be supported by the required</p>	<p>Procurement Officer</p>

<p>supported by the appropriate level of documentation as detailed in the contracts procedure rules.</p> <p><u>Findings</u> From the sample of ten payments reviewed, two (planning) were unsupported by documentation, which the auditee was unable to supply.</p> <p><u>Risk</u> Failure to ensure expenditure is supported by the documentation required, can lead to inappropriate expenditure resulting in financial and reputational loss.</p>	<p>documentation and supplied to the procurement officer for review and approval before proceeding with the purchase.</p>	
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

EU PROCUREMENT COMPLIANCE

7. Non-compliance with legislation

(High Risk)

<p>Rationale</p>	<p>Recommendation</p>	<p>Responsibility</p>
<p><u>Best Practice</u> All procurement should be undertaken in accordance with European Union rules.</p> <p><u>Findings</u> Purchases from a single supplier for computer equipment in the last nine months has exceeded the European Union threshold for advertising the tender, but there is no evidence of a tender being undertaken or advertised. The procurement identified has no supporting documentation identified at the time of the audit.</p> <p>These purchases were made following the fire in January 2015, over a six month period. Advice was sought at the time regarding utilising the emergency procedures of the constitution for this procurement and discussions between senior staff were held regarding the emergency procedures. However the procedures were not complied with.</p>	<p>Cease any further purchases from this supplier, and make further purchases through a framework supplier.</p>	<p>Head of HR, IT & Technical Services</p>

<p><u>Risk</u> The council could be at risk of a claim by an alternative supplier which could lead to compensation payments and reputational damage.</p>		
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed Purchases from this supplier have ceased. It should be understood that the circumstances for these purchases were exceptional. Although it is true that total purchases from the supplier over the period since the fire do exceed the EU threshold, the purchases were numerous and made by different people over a period of time in response to changing circumstances as the council required equipment quickly at several locations. They do not represent disaggregation of a single contract. No purchase was above the tender threshold. For purchases above the £10,000 threshold for which three quotations are required, three quotations were sought. This particular supplier demonstrated a track record of rapid response and delivery of goods, and was therefore the supplier of choice on a number of occasions.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>30 September 2015</p>

FRAMEWORKS

8. Decision Tree

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> A clear decision process chart for deciding which framework to use should be available to all staff involved in procurement as part of the procedures.</p> <p><u>Findings</u> There is no documented decision process regarding which procurement framework to use.</p> <p><u>Risk</u> Procurement may not be undertaken through the correct or most beneficial framework.</p>	<p>A decision tree for selecting procurement frameworks should be designed and incorporated into the documented procedures.</p>	<p>Procurement Officer</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed in principle The new procurement procedures (recommendation 3) will include instructions on the use of frameworks as part of the procedures and how to obtain advice from the procurement officer. So although a decision tree is unnecessary, the procedures will address this issue.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

REPORTING

9. Governance arrangements

(High Risk)

Rationale	Recommendation	Responsibility
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<p><u>Best Practice</u> Good governance arrangements facilitate the flow of information. In this case this would allow the Head of IT, HR and Technical Services to receive and evaluate all procurement happening in other service areas.</p> <p><u>Findings</u> There are no formal or informal governance arrangements in place.</p> <p><u>Risk</u> Procurement can take place without proper management and oversight leading to financial and reputational loss.</p>	<p>A formal meeting should be convened on a regular basis between the heads of service, to discuss procurement. These meetings should be minuted and actioned recorded.</p>	<p>Head of HR, IT & Technical Services</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed Procurement has been added to the monthly agenda for heads of service meetings. These meetings are minuted.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>30 September 2015</p>

2. VWHDC PROCUREMENT 2015/2016

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to procurement. The audit has a priority score of 26. The audit approach is provided in the audit framework in Appendix 1. The fieldwork was undertaken in July and August 2015 and the final report was issued on 7 September 2015.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- An appropriate procurement strategy is in place that is supported by comprehensive policies and procedures which are in accordance with relevant legislation and are being adhered to.
 - There is a suitable resource to ensure effective oversight of the council's procurement process itself and of individual procurement projects, with clearly defined roles and responsibilities.
 - The end to end procurement process, including e-tendering, takes account of current EU procurement thresholds, is being appropriately followed and correctly recorded.
 - There is effective usage of procurement frameworks to take advantage of partnering and collaboration opportunities.
 - Procurement performance is suitably monitored and reported.

2. BACKGROUND

- 2.1 The council procures goods and services from external suppliers to meet its obligations to deliver services to the community it serves. In the first quarter of 2015/16 the council's expenditure was £6.2m.
- 2.2 Procurement is an area that by using economies of scale and framework agreements can produce significant financial savings.
- 2.3 The council had a team known as 'performance and projects' and part of their role was procurement. This included purchasing two days a week from the Oxford City Council procurement hub team, which was expected to lead to joint procurement of larger contracts through framework arrangements. The Fit for the Future programme, which was designed to incorporate lean principles then reviewed procurement. The outcome of this review was to disband the in-house procurement team, which was then enacted by the council. The way forward was to then buy in procurement services from Oxford City Council (1 whole time equivalent). This process collapsed when the procurement officer supplied left suddenly and Oxford City Council failed to provide a suitable replacement. The contract terminated soon afterwards.
- A procurement officer was appointed in April 2015, on an eighteen month contract.

3. PREVIOUS AUDIT REPORTS

- 3.1 Procurement was last subject to an internal audit review in 2009 and eighteen recommendations were raised. Fifteen were agreed. A limited assurance opinion was issued. A follow up audit in 2010 identified that five recommendations remained outstanding.
- 3.2 The five outstanding recommendations have been reviewed and are no longer applicable due to structural changes in the procurement function, as well as changes in policies and strategies.

4. 2015/2016 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 Eight recommendations have been raised in this review. One high risk, five medium risk and two low risk.

5. MAIN FINDINGS

5.1 Strategy, policy and procedures

- 5.1.1 The contracts procedures rules, which form part of the constitution have not been updated since January 2014.
- 5.1.2 The procurement expenditure thresholds, one written quotation for up to £10,000, three written quotations for up to £75,000, and tenders over £75,000 appear high by public sector standards.
- 5.1.3 There are no documented procurement procedures in place.
- 5.1.4 Area assurance: Limited
Three recommendations have been made as a result of our work in this area (Recs 1, 2 & 3).

5.2 Resources and oversight

- 5.2.1 Procurement is undertaken within service teams independently, with no requirement to seek advice or guidance from the procurement officer. There is no central review system to ensure compliance with the contract procedure rules.
- 5.2.2 As the procurement officer's role is advisory only, the council cannot be sure they are achieving value for money on procurement.
- 5.2.3 Not all procurement is supported by the appropriate documentation to adhere to the contracts procedures rules. In the sample of ten reviewed, no supporting quotes, tenders, or framework agreements was provided for one.
- 5.2.4 Area assurance: Limited

Three recommendations have been made as a result of our work in this area (Recs 4, 5 & 6).

5.3 EU procurement compliance

5.3.1 A sample of ten contract expenditure items with a value around the OJEU threshold was selected for review. No issues regarding compliance with OJEU regulations were identified from the checks undertaken.

5.3.2 Area Assurance : Full
No recommendations have been made as a result of our work in this area.

5.4 Frameworks

5.4.1 The choice of procurement framework the council uses on each occasion is reliant on the knowledge of the procurement officer. Therefore it would be beneficial for a decision tree to be established to aid staff undertaking procurement in the event that the procurement officer is unavailable.

Area assurance: Substantial
5.4.2 One recommendation have been made as a result of our work in this area (Rec 7).

5.5 Reporting

5.5.1 There is no governance structure currently in place to ensure procurement undertaken by the service areas is reviewed and monitored appropriately.

5.5.2 Area assurance: Nil
One recommendation have been made as a result of our work in this area (Rec 8).

OBSERVATIONS AND RECOMMENDATIONS

STRATEGY, POLICY AND PROCEDURES

1. Contract procedure rules

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procurement (contract procedure rules) are reviewed annually.</p> <p><u>Findings</u> The contract procedure rules which are part of the constitution are available on the intranet as at 4 August 2015, were dated January 2014 with no evidence of review since then.</p> <p><u>Risk</u> Failure to ensure policies and procedures are current may lead to</p>	<p>The council should ensure that the contract procedure rules are reviewed annually and that this review is annotated and scheduled for each year.</p>	<p>Head of HR, IT and Technical Services</p>

practices being undertaken that are not in accordance with the council's strategy, leading to financial and reputational loss.		
Management Response		Implementation Date
Recommendation is Agreed Contracts procedure rules are already reviewed annually. Management response: Head of HR, IT and Technical Services		30 September 2015

2. Procurement thresholds

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Detailed procurement thresholds should be regularly reviewed to ensure they are at an appropriate level.</p> <p><u>Findings</u> The thresholds used currently by the council are as follows: Up to £10,000 – one written quotation required. Between £10,000 and £75,000 – three written quotations required. Over £75,000 – competitive tender required.</p> <p>The procurement officer expressed concern and surprise that up to £75,000 expenditure could be arranged on just three written quotations. Internal audit undertook benchmarking against three other public sector bodies, which identified that the council's procurement thresholds are high in comparison.</p> <p><u>Risk</u> Failure to ensure procurement thresholds are appropriate and fit for purpose can result in inappropriate expenditure and not achieving value for money, leading to reputational damage and financial loss.</p>	<p>The council should review their procurement thresholds, ensure they are fit for purpose, appropriate and there are sufficient controls in place to identify non-compliance with the contract procedures rules.</p>	<p>Head of HR, IT and Technical Services</p>
Management Response		Implementation Date
Recommendation is Agreed Last review of thresholds was in the autumn of 2011, when thresholds were raised in order to simplify the process and reduce the time to procure. Previous benchmarking has demonstrated a wide range of thresholds at comparable councils and I do not believe that South and Vale have exceptionally high thresholds. However, a review based on sufficient evidence and assessment of risk would be a reasonable step to take. Management response: Head of HR, IT and Technical Services		31 December 2015

3. Procurement procedures

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Clear documented procedures detailing how to procure items should be in place, for all staff who may have the need to purchase equipment or services.</p> <p><u>Findings</u> The council has no documented procedures for procurement.</p> <p><u>Risk</u> Failure to provide staff with clear instruction and guidance regarding procurement, will lead to local practices developing, and an inconsistent approach, resulting in value for money not being maximised, reputational loss and financial loss.</p>	<p>Clear procedures for all areas of the council involved in procuring goods and services need to be developed, approved, regularly reviewed, monitored, and evidenced with a named individual or role responsible for the procedures and for updating intranet guidance.</p>	<p>Procurement Officer</p>
Management Response		Implementation Date
<p>Recommendation is Agreed The procurement officer is responsible for the procedures and for updating the guidance on the intranet. These will include the requirement for all expenditure in excess of £5000 to be recorded on the South East Business Portal.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

RESOURCES AND OVERSIGHT

4. Pre commitment

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procurement as a functional department should review all procurement expenditure prior to commitment to buy, to see if savings can be achieved through economies of scale or framework agreements.</p> <p><u>Findings</u> At present procurement is only an advisory function and there is no mandate for all procurement to be reviewed by the procurement function.</p> <p><u>Risk</u> Failure to ensure all procurement expenditure is reviewed to maximise savings and reduce costs, can lead to the council's purchases being more expensive than necessary, resulting in financial and reputational loss.</p>	<p>All expenditure on goods and services should be reviewed by the procurement officer prior to the expenditure being authorised.</p>	<p>Procurement Officer</p>
Management Response		Implementation Date

<p>Recommendation is Agreed</p> <p>It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal.</p> <p>Management response: Head of HR, IT and Technical Services</p>	<p>31 December 2015</p>
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5. Post commitment

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procurement should be reviewed by a second official to ensure compliance with council rules.</p> <p><u>Findings</u> There is no evidence of a consistent review of procurement in all areas, to provide assurance that procurement is being undertaken in accordance with the council's rules.</p> <p><u>Risk</u> Failure to ensure procurement is undertaken correctly can lead to procurement being undertaken ultra vires to council rules, resulting in not achieving best value for money.</p>	<p>All procurement expenditure should be advised to the procurement department so that a check can be conducted to ensure that appropriate monitoring is undertaken.</p>	<p>Procurement Officer</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

6. Supporting documentation

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All expenditure incurred should be supported by the appropriate level of documentation as detailed in the contracts procedure rules.</p> <p><u>Findings</u> From the sample of ten payments reviewed, two (planning) were unsupported by documentation,</p>	<p>All procurement should be supported by the required documentation and supplied to the procurement officer for review and approval before proceeding with the purchase.</p>	<p>Procurement Officer</p>

<p>which the auditee was unable to supply.</p> <p><u>Risk</u> Failure to ensure expenditure is supported by the documentation required, can lead to inappropriate expenditure resulting in financial and reputational loss.</p>		
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed</p> <p>It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

FRAMEWORKS

7. Decision Tree

(Low Risk)

<p>Rationale</p>	<p>Recommendation</p>	<p>Responsibility</p>
<p><u>Best Practice</u> A clear decision process chart for deciding which framework to use should be available to all staff involved in procurement as part of the procedures.</p> <p><u>Findings</u> There is no documented decision process regarding which procurement framework to use.</p> <p><u>Risk</u> Procurement may not be undertaken through the correct or most beneficial framework.</p>	<p>A decision tree for selecting procurement frameworks should be designed and incorporated into the documented procedures.</p>	<p>Procurement Officer</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed in principle</p> <p>The new procurement procedures (recommendation 3) will include instructions on the use of frameworks as part of the procedures and how to obtain advice from the procurement officer. So although a decision tree is unnecessary, the procedures will address this issue.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

REPORTING

8. Governance arrangements

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Good governance arrangements facilitate the flow of information. In this case this would allow the Head of IT, HR and Technical Services to receive and evaluate all procurement happening in other service areas.</p> <p><u>Findings</u> There are no formal or informal governance arrangements in place.</p> <p><u>Risk</u> Procurement can take place without proper management and oversight leading to financial and reputational loss.</p>	<p>A formal meeting should be convened on a regular basis between the heads of service, to discuss procurement. These meetings should be minuted and actioned recorded.</p>	<p>Head of HR, IT & Technical Services</p>
Management Response		Implementation Date
<p>Recommendation is Agreed Procurement has been added to the monthly agenda for heads of service meetings. These meetings are minuted.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>30 September 2015</p>

Executive summary		SODC			VWHDC			Joint		
Service Area	Head of Service	Total Number of Recs	Number of Overdue Recs	% of Overdue Recs	Total Number of Recs	Number of Overdue Recs	% of Overdue Recs	Total Number of Recs	Number of Overdue Recs	% of Overdue Recs
Corporate Strategy	Clare Kingston (Head of Corporate Strategy)	7	1	14%	8	0	0%	15	1	7%
Development and Housing	Vacant Post (Head of Development and Housing)	2	0	0%	2	0	0%	4	0	0%
Economy, Leisure and Property	Chris Tyson (Head of Economy, Leisure And Property)	2	2	100%	19	2	11%	21	4	19%
Finance	William Jacobs (Head of Finance)	37	12	32%	31	9	29%	68	21	31%
HR, IT and Technical Services	Andrew Down (Head of HR, IT & Technical Services)	35	11	31%	37	11	30%	72	22	31%
Legal and Democratic	Margaret Reed (Head of Legal and Democratic Services)	20	2	10%	16	2	13%	36	4	11%
Planning	Adrian Duffield (Head of Planning)	5	3	60%	5	3	60%	10	6	60%
Total recommendations Q2 2015/16		108	31		118	27		226	58	

SODC Summary of overdue recommendations

Rec ID	Audit Name	Audit Year	Head of Service	Service Manager	Recommendation Name	Recommendation	Risk Rating	Implementation date	Recommendation Update	Date of Officer Update	Recommendation Status	Revised Implementation Date
3	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	3. Starters	All starter processes should comply with the council's agreed policies and procedures i.e. a) Two references must be received for all starters and filed within the personnel records. b) All references received must show sufficient independence from the staff members conducting the interview. c) All new starters who joined via agency employment or contract actual work need to have the council's standard documentation requested and filed in their personnel records.	Medium	08/01/2015				
4	Payroll	2014/2015	William Jacobs (Head Of Finance)	Ben Watson (Finance & Systems Manager)	4. Payroll Checks - Overtime	Capita need to ensure that all amendments or new entries made in the payroll system show adequate separation of duties.	Medium	08/01/2015				
5	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	5. Changes in remuneration policies	The head of human resources needs to inform the head of finance of any changes made that affect the remuneration of pay as stated in the council's constitution.	Low	08/01/2015				
6	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	6. Standard Overtime Form	a) Line managers should always adequately check and authorise overtime claims that have been submitted on the appropriate overtime form prior to being sent to Capita for processing, to ensure that claim totals are valid and completed correctly. b) Human resources team should engage with line managers to ensure they understand the correct process of authorising forms and the appropriate overtime form to be used.	Medium	31/01/2015				
7	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	7. Payment for Breaks	The formulas for calculating pay for employees should be reviewed and a consistent approach considered which should be suitably agreed and documented in accordance with European Working Time Regulations. Otherwise the working time directive formula should be used and applied consistently. All council's standard overtime forms and timesheets must allow for employees to record any breaks taken to ensure that they are correctly indicated prior to the authorisation being given to Capita for payment processing.	High	31/01/2015				

Rec ID	Audit Name	Audit Year	Head of Service	Service Manager	Recommendation Name	Recommendation	Risk Rating	Implementation date	Recommendation Update	Date of Officer Update	Recommendation Status	Revised Implementation Date
8	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	8. Payroll reconciliation - reversal report	A recovery of the planning team overpayment identified must be put in place through the human resources team. A reminder should be sent out to all managers on the importance of sending human resources accurate and timely information in regards to temporary changes in the contracts. Human resources to reinforce the need for more thorough checks within service teams on the monthly establishment lists sent for confirmation of posts to ensure that errors are identified and rectified as soon as possible.	High	31/03/2015				
21	Contract Monitoring	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	1. Contract monitoring guidance	The performance review of contractors, guidance should be reviewed & updated.	Low	31/10/2014	Agreed revised date with Phillip Hinton-Smith during audit follow up - update added by Sandy Bayley			31/07/2015
23	Petty Cash	2014/2015	Chris Tyson (Head of Economy, Leisure And Property)		4. Storage of claims/receipts - Cornerstone	Records of individual claims and the supporting receipts should be included with the voucher requesting top up of the float balance so that they are captured as an image within the Agresso system. Consider developing: a) A disaster recovery policy (including an organisational chart). b) Guidance for the adding of new databases (including backup arrangements).	Low	08/01/2015	The last replenishment request was made in February 2015 and did not have a receipt attached. The officer submitting the requests is now aware of the new process to follow and will implement this from the next replenishment request when it is needed. NP Update	21/07/2015	Not Implemented	21/07/2015
27	Disaster Recovery	2013/2014	Andrew Down (Head of HR, IT & Technical Services)	Phillip Turner (Procurement Officer)	1. Policies and procedures		Low	31/03/2014	This is currently being reviewed.	14/08/2014	Not Implemented	31/12/2014
29	Disaster Recovery	2013/2014	Andrew Down (Head of HR, IT & Technical Services)	Phillip Turner (Procurement Officer)	5. Contract terms	Incorporate a section on disaster recovery testing and reporting in the legal template for council contracts with contractors with which the council has an ongoing relationship (i.e. frequent and recurring work).	Medium	31/03/2013	The performance, projects and customer services manager left his post in February 2014 and progress with the review of procurement documents have not been done. This has been flagged up with contract and procurement manager (Oxford City Council) for inclusion in the review of procurement templates.	14/08/2014	Not Implemented	31/03/2015
31	S106, Commuted Sums, CIL	2014/2015	Adrian Duffield (Head of Planning)	Sophie Horsley (Planning Policy Manager)	4. Internet and intranet register	When expenditure is recorded within Ocella, this should also be made available within the intranet and internet listings.	Low	31/05/2015				
32	S106, Commuted Sums and CIL	2013/2014	Adrian Duffield (Head of Planning)	Sophie Horsley (Planning Policy Manager)	7. Reconciliations	A regular reconciliation of agreements recorded within Ocella should be undertaken with general ledger transactions to ensure income is accurately recorded.	Medium	30/04/2015				
33	S106, Commuted Sums and CIL	2013/2014	Adrian Duffield (Head of Planning)	Sophie Horsley (Planning Policy Manager)	8. Reporting	A formal reporting mechanism should be agreed and implemented to regularly report on agreements to include income, expenditure and future amounts due. This should be circulated to all interested parties.	Medium	31/01/2015				
39	Business Continuity	2013/2014	Andrew Down (Head of HR, IT & Technical Services)	Phillip Hinton-Smith (Procurement Officer)	6. Contractor testing	Obtain annual assurances from third party contractors with which there are ongoing relationships (e.g. frequent and/or recurring work) on outcomes of business continuity testing.	Medium	31/03/2014				

Rec ID	Audit Name	Audit Year	Head of Service	Service Manager	Recommendation Name	Recommendation	Risk Rating	Implementation date	Recommendation Update	Date of Officer Update	Recommendation Status	Revised Implementation Date
42	Health and Safety	2013/2014	Clare Kingston (Head Of Corporate Strategy)	Sally Truman (Policy, Partnership & Engagement Manager)	3. Fire warden training	All fire wardens should be appropriately trained.	High	31/03/2014	Confirmed by the Shared Health and Safety Adviser that this is on hold as the fire evacuation procedure is being reviewed at Abbey House due to the impending occupation of the building by OCC and Citizens Advice Bureau. The fire evacuation procedures will then be reviewed at Crowmarsh offices. The plan is to dispense with roll calls, divide the buildings into zones and train fire wardens to do building sweeps of their zones.	09/04/2014	Not Implemented	31/03/2015
52	Lone Working and Officer Security	2013/2014	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	2. Lone working training	All lone working officers should be offered lone working training.	Medium	30/09/2014	As above, the Shared HR Business Support manager confirmed that a Health & Safety training provider had been contracted to conduct lone working training in early 2014 with all relevant staff having had their training by 31st March 2014.	13/12/2013	Ongoing (Date of implementation not yet passed)	30/09/2014
53	Post Room	2013/2014	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	2. Procedures	c) Comprehensive and up to date procedures should be in place covering the processing of incoming and outgoing post within HR.	Low	30/09/2013	c) Not implemented due to the closure of the Vale office. Comprehensive and up to date procedures should be in place covering the processing of incoming and outgoing post within HR will now be produced.	04/06/2014	N/A	30/06/2014
57	RIPA	2013/2014	Margaret Reed (Head Of Legal And Democratic Services)	Liz Hayden (Legal, Licensing And Community Safety Manager)	1. RIPA policy and procedure	The RIPA policy and procedure should be updated to reflect current legislation and consideration should be given to including: - a) A requirement for members' review of RIPA activities and approval of the policy as per the revised code of practice. b) Reference to the use of the NAFN. and, c) Making the document available on the council's intranet.	Low	30/04/2014	Revised guidance is due on local authority's use of RIPA so the update of the policy has been delayed in order to incorporate the expected revisions. In the meantime an explanation will be added to the current policy to explain that an update is due and that RIPA can only be used for particular offences and court approval is required.	24/04/2014	Ongoing (Date of implementation not yet passed)	31/12/2014
65	Community Loans Scheme	2013/2014	William Jacobs (Head Of Finance)	Simon Hewings (Accountancy Manager (Revenue))	2. Roles and responsibilities	(a) Document the end to end process (including roles and responsibilities) for the administration and approval of loans. (b) If there is a possibility of the 12 week turnaround time not being met in the processing of applications received, there should be a reassignment of roles and responsibility for: a) monitoring loan repayments b) reconciling general ledger records to loan agreements.	Medium	30/09/2013	Confirmed with the Head of Finance that there has only been one application to date and it was his opinion that at the present there is no need to update the procedure notes. Should applications increase consideration will be given to review the procedure notes. As at 12 January 2015 no further applications have been received. As at 10 June 2015 no further applications have been received.	11/06/2015	Not Implemented	31/12/2014
126	Creditor Payments	2014/2015	William Jacobs (Head Of Finance)	Ben Watson (Finance & Systems Manager)	1. Duplicate invoices	Capita should reject duplicate invoices and not register them within the Agresso system. Suppliers should be contacted to establish why the duplicate has been received.	Medium	30/03/2015				
128	Housing Benefit & Council Tax Reduction Scheme	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	1. Reconciliation	A system should be introduced to regularly reconcile all write off transactions.	Low	31/05/2015				
135	Land Charges	2014/2015	Margaret Reed (Head Of Legal And Democratic Services)	Susan Baker (Business Support Team Leader)	6. Reconciliation of income	A reconciliation should be undertaken on a regular basis to match income coded within Agresso with that recorded in Ocella.	Low	01/09/2015				

Rec ID	Audit Name	Audit Year	Head of Service	Service Manager	Recommendation Name	Recommendation	Risk Rating	Implementation date	Recommendation Update	Date of Officer Update	Recommendation Status	Revised Implementation Date
142	National Non Domestic Rates	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	1. Arrears - accounts pre-2006	All accounts in arrears should be reviewed and actions taken to ensure they are all progressed to the appropriate debt stages in a timely manner.	Low	31/05/2015				
143	National Non Domestic Rates	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	2. Inspection records - restated	a) Inspection visit details should be recorded within the electronic document management system in a timely manner. b) Documents with a pending expiry date outside of the current inspection scheduled should be reviewed and appropriate action taken in a timely manner. c) Properties requiring an initial visit upon first becoming empty should be visited within one month. d) All relief application forms should be captured into the electronic document management system.	Medium	31/05/2015				
146	Sundry Debtors	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	1. Monitoring of payments - Capita	Capita must ensure that all payment arrangements that have not been adhered to are reported to the council on a regular basis.	Low	10/04/2015				
147	Sundry Debtors	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	2. Write off/ons for small balance	Small balances should be reviewed on a regular basis and written off/on accordingly.	Low	30/06/2015				
152	Council Tax	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	1. Discounts and Exemptions	Annual reviews for properties with discounts and exemptions awarded should be performed to ensure they are still valid.	Low	01/09/2015				
153	Council Tax	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	2. Suspense Account	Consideration should be given to reviewing the items in the suspense account that originated from the previous system and investigating a means of removing them from the current Academy working suspense account.	Low	03/08/2015				
155	Council Tax	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	3. Recovery (Account <pre 2007)	All accounts with recovery codes should be reviewed and actions taken to ensure they are all progressed to the appropriate debt stages in a timely manner.	Low	03/08/2015				
156	Council Tax	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	4. Inspections	Exempt properties should be reviewed to ensure they have been selected for an inspection within the six month period.	Low	01/08/2015				
196	Receipt of Income Arrangements	2015/2016	Chris Tyson (Head of Economy, Leisure And Property)	Emma Dolman (Arts Manager)	Local management control and checks	Cornerstone line management should ensure all spot checks on the effectiveness of local procedures are evidenced.	Low	31/08/2015				

Rec ID	Audit Name	Audit Year	Head of Service	Service Manager	Recommendation Name	Recommendation	Risk Rating	Implementation date	Recommendation Update	Date of Officer Update	Recommendation Status	Revised Implementation Date
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VWHDC Summary of overdue recommendations

Rec ID	Audit Name	Audit Year	Head of Service	Service Manager	Recommendation Name	Recommendation	Risk Rating	Implementation date	Recommendation Update	Date of Officer Update	Recommendation Status	Revised Implementation Date
68	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	3. Starters	All starter processes should comply with the council's agreed policies and procedures i.e. a) Evidence of proof of identification being obtained prior to start of employment. b) At least one of the proof of identification produced should be photographic e.g. passport or driving licence. c) Two references must be received for all starters and filed within the personnel records.	Medium	09/01/2015				
69	Payroll	2014/2015	William Jacobs (Head Of Finance)	Ben Watson (Finance & Systems Manager)	4. Payroll Checks - Overtime	Capita need to ensure that all amendments or new entries made in the payroll system show adequate separation of duties.	Medium	09/01/2015				
70	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	5. Changes in remuneration policies	The head of human resources needs to inform the head of finance of any changes made that affect the remuneration of pay as stated in the council's constitution.	Low	09/01/2015				
71	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	6. Standard Overtime Form	a) Line managers should always adequately check and authorise overtime claims that have been submitted on the appropriate overtime form prior to being sent to Capita for processing, to ensure that claim totals are valid and completed correctly. b) Human resources team should engage with line managers to ensure they understand the correct process of authorising forms and the appropriate overtime form to be used	Low	31/01/2015				
72	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	7. Payment for Breaks and Overtime forms	The formulas for calculating pay for employees should be reviewed and a consistent approach considered which should be suitably agreed and documented in accordance with European Working Time Regulations. Otherwise the working time directive formula should be used and applied consistently. All council's standard overtime forms and timesheets must allow for employees to record any breaks taken to ensure that they are correctly indicated prior to the authorisation being given to Capita for payment processing.	High	31/01/2015				
73	Payroll	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	8. Maternity Pay	Consideration should be given as to whether payment (over/under payments) should be recovered/paid to staff affected by the policy in place at the time of their maternity. The maternity/paternity pay policy should be reviewed to ensure that the policy is documented clearly to avoid misinterpretations.	Medium	09/01/2015				
85	Contract Monitoring	2014/2015	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	1. Contract monitoring guidance	The performance review of contractors' guidance should be reviewed & updated.	Low	31/10/2014	Agreed revised date with Phillip Hinton-Smith during audit follow up - update added by Sandy Bayley			31/07/2015

Rec ID	Audit Name	Audit Year	Head of Service	Service Manager	Recommendation Name	Recommendation	Risk Rating	Implementation date	Recommendation Update	Date of Officer Update	Recommendation Status	Revised Implementation Date
95	Disaster Recovery	2013/2014	Andrew Down (Head of HR, IT & Technical Services)	Philip Turner (Procurement Officer)	1. Policies and procedures	Consider developing: (a) a disaster recovery policy. (b) guidance for the adding of new databases (including back up arrangements).	Low	31/03/2014	This is currently being reviewed.	14/08/2014	Not Implemented	31/12/2014
97	Disaster Recovery	2013/2014	Andrew Down (Head of HR, IT & Technical Services)	Philip Turner (Procurement Officer)	5. Contract terms	Incorporate a section on disaster recovery testing and reporting in the legal template for council contracts with contractors with which the council has an ongoing relationship (i.e. frequent and recurring work).	Medium	31/12/2013	The performance, projects and customer services manager left his post in February 2014 and progress with the review of procurement documents have not been done. This has been flagged up with contract and procurement manager (Oxford City Council) for inclusion in the review of procurement templates.	14/08/2014	Not Implemented	31/03/2015
98	S106, CIL and Commuted Sums	2013/2014	Adrian Duffield (Head of Planning)	Sophie Horsley (Planning Policy Manager)	3. Internet and intranet register	When expenditure is recorded within Ocella, this should also be made available within the intranet and internet listings.	Low	31/05/2015				
99	S106, CIL and Commuted Sums	2013/2014	Adrian Duffield (Head of Planning)	Sophie Horsley (Planning Policy Manager)	7. Reconciliation	A regular reconciliation of agreements recorded within Ocella should be undertaken with general ledger transactions to ensure income is accurately recorded.	Medium	30/04/2015				
100	S106, CIL and Commuted Sums	2013/2014	Adrian Duffield (Head of Planning)	Sophie Horsley (Planning Policy Manager)	9. Standard approach to record-keeping	The standard approach to documenting and filing s106 calculations, negotiations and communications in the planning directory and on the planning website should be reinforced and followed.	Medium	31/03/2015				
106	Business Continuity	2013/2014	Andrew Down (Head of HR, IT & Technical Services)	Andrew Down (Head of HR, IT & Technical Services)	6. Contractor testing	Obtain annual assurances from third party contractors with which there are ongoing relationships (e.g. frequent and/or recurring work) on outcomes of business continuity testing.	Medium	31/03/2014				
117	Lone working and Officer Security	2013/2014	Andrew Down (Head of HR, IT & Technical Services)	Mark Gibbons (HR Business Partner)	2. Lone working training	All lone working officers should be offered lone working training.	Medium	30/09/2014	the Shared HR Business Support manager confirmed that a Health & Safety training provider had been contracted to conduct lone working training in early 2014 with all relevant staff having had their training by 31st March 2014.	31/12/2013	Ongoing (Date of implementation not yet passed)	30/09/2014
120	RIPA	2013/2014	Margaret Reed (Head Of Legal And Democratic Services)	Liz Hayden (Legal, Licensing And Community Safety Manager)	1. RIPA policy and procedure	The RIPA policy and procedure should be updated to reflect current legislation and consideration should be given to including: - a) A requirement for members' review of RIPA activities and approval of the policy as per the revised code of practice b) Reference to the use of the NAFN and, c) Making the document available	Low	30/04/2014	Revised guidance is due on local authority's use of RIPA so the update of the policy has been delayed in order to incorporate the expected revisions. In the meantime an explanation will be added to the current policy to explain that an update is due and that RIPA can only be used for particular offences and court approval is required.	24/04/2014	Ongoing (Date of implementation not yet passed)	31/12/2014
127	Creditor Payments	2014/2015	William Jacobs (Head Of Finance)	Ben Watson (Finance & Systems Manager)	1. Duplicate invoices	Capita should reject duplicate invoices and not register them within the Agresso system. Suppliers should be contacted to establish why the duplicate has been received.	Medium	30/03/2015				
129	Housing Benefit & Council Tax Reduction Scheme	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	1. Recommendation	A system should be introduced to regularly reconcile all write off transactions.	Low	31/05/2015	Work to implement the recommendation has commenced but due to workloads it has not been completed. We will endeavour to complete the process by 31 July 2015	11/06/2015	Partly Implemented	31/07/2015

Rec ID	Audit Name	Audit Year	Head of Service	Service Manager	Recommendation Name	Recommendation	Risk Rating	Implementation date	Recommendation Update	Date of Officer Update	Recommendation Status	Revised Implementation Date	
141	Land Charges	2014/2015	Margaret Reed (Head Of Legal And Democratic Services)	Susan Baker (Business Support Team Leader)	6. Reconciliation of income	A reconciliation should be undertaken on a regular basis to match income coded within Agresso with that recorded in Ocella.	Low	01/09/2015					
144	National Non Domestic Rates	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	1. Inspection records	a) Inspection visit details should be recorded within the electronic document management system in a timely manner. b) Documents with a pending expiry date outside of the current inspection scheduled should be reviewed and appropriate action taken in a timely manner. c) Properties requiring an initial visit upon first becoming empty should be visited within one month. d) Completed application forms should be uploaded into the electronic document management system as soon as they are received by the NNDR team.	Medium	31/05/2015					
145	National Non Domestic Rates	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	2. Arrears - accounts pre - 2006	All accounts in arrears should be reviewed and actions taken to ensure they are all progressed to the appropriate debt stages in a timely manner.	Low	31/05/2015					
149	Sundry Debtors	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	1. Monitoring of payments - Capita	Capita must ensure that all payment arrangements that have not been adhered to are reported to the council on a regular basis.	Low	10/04/2015					
150	Sundry Debtors	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	2. Write off/ons for small amounts	Small balances should be reviewed on a regular basis and written off/on accordingly.	Low	30/06/2015					
157	Council Tax	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	Discounts and Exemptions	Annual reviews for properties with discounts and exemptions awarded should be performed to ensure they are still valid.	Low	01/09/2015					
159	Council Tax	2014/2015	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	Inspections	Exempt properties should be reviewed to ensure they have been selected for an inspection within the six month period.	Low	01/08/2015					
164	The Beacon Investigation 2014/2015	2014/2015	Chris Tyson (Head of Economy, Leisure And Property)	Kate Arnold (Leisure Manager)	2.a Cashing Up Differences	a) Discrepancies exceeding an agreed value, e.g. over or under £2.00, should be recorded in a central register with all relevant details including officers on duty	High	31/07/2015			Under and over banking is being recorded and accuracy levels have improved significantly since the introduction of the new tills. There is further work required with updating the banking forms and this will be completed once the Team Leader returns from sick leave in mid August.	Partly Implemented	31/08/2015
165	The Beacon Investigation 2014/2015	2014/2015	Chris Tyson (Head of Economy, Leisure And Property)	Kate Arnold (Leisure Manager)	2.b Cashing Up Discrepancies	b) Discrepancies should be notified through the appropriate reporting line in accordance with agreed procedures.	High	31/07/2015			Discrepancies have been reported to PDO and records regularly spot checked. Further investigation is now taking place to ensure records are accurate and all under and over banking is recorded on a daily basis.	Partly Implemented	31/08/2015
187	Receipt of Income Arrangements	2015/2016	Andrew Down (Head of HR, IT & Technical Services)	Jon Dawson (Facilities Team Leader)	Review of Payments	A full review of all payments made and outstanding by all mobile home park tenants should be undertaken, so that reliance can be placed on the balances owed and they are consistent with the general ledger.	Medium	31/08/2015					

Audit and governance work programme

containing Audit and Governance Committee work to
be undertaken

1 OCTOBER 2015 - 31 MARCH 2016



The audit and governance work programme belongs to the councils' Joint Audit and Governance Committee and sets out a schedule of work for the period shown above. It is a rolling plan, subject to change at each Committee meeting; however, the councils may allocate additional work.

You can make representations on any issue below. Please contact the officer shown below by 10am on the day the committee is due to meet.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit activity report– third quarter 2015/16	Joint Audit and Governance Committee 25 January 2016	Adrianna Partridge Email: adrianna.partridge@southandvale.gov.uk	The council audits its services through the internal audit service in line with the approved internal audit plan 2015/16.	To summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and main issues arising, and seek assurance that action has been or will be taken where necessary.	This is a recurring agenda item, and is updated at each meeting.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit management report - third quarter 2015/16	Joint Audit and Governance Committee 25 January 2016	Adrianna Partridge Email: adrianna.partridge@southandvale.gov.uk	The committee monitors the effectiveness of internal audit each quarter against the approved audit plan	To report on management issues, summarise the first quarter progress of the internal audit team against the 2015/16 audit plan, and summarise the priorities and planned audit work for quarter three.	This is a recurring agenda item, and is updated at each meeting.
Business continuity review	Joint Audit and Governance Committee 25 January 2016	Adrianna Partridge Email: adrianna.partridge@southandvale.gov.uk	The findings from a review of the councils' response to the Crowmarsh fire which occurred on 15 January 2015	To consider and note the audit manager's report	
Treasury management mid-year monitoring 2015/16	Joint Audit and Governance Committee 25 January 2016	Bob Watson Email: bob.watson@southandvale.gov.uk	The committee is responsible for the scrutiny of the councils' treasury management activity.	To review the councils' treasury management activities for the first six months of the 2015/16 financial year.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Treasury management strategies 2015/16	Joint Audit and Governance Committee 25 January 2016	Bob Watson Email: bob.watson@southandvale.gov.uk	The committee is responsible for the scrutiny of the councils' treasury management activity and to propose a strategies to Councils, via Cabinets, for the management of this function in the forthcoming year.	To scrutinise the treasury management strategies and policies and if required, make recommendations for amendment to Cabinets	
External auditor's annual audit letter	Joint Audit and Governance Committee 25 January 2016	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor, Ernst & Young, is responsible for auditing the councils@ business.	To consider the external auditor's annual audit letter 2014/15.	
Comments and complaints 2014/15	Joint Audit and Governance Committee 25 January 2016	David Buckle Email c/o: jeanette.cox@southandvale.gov.uk	The committee is responsible for monitoring the councils' comments and complaints.	To review the comments and complaints received during 2014/15	
Review of procedures for dealing with code of conduct complaints	Joint Audit and Governance Committee 21 March 2016	Margaret Reed Email: margaret.reed@southandvale.gov.uk	The procedures are due for review by the Committee	To review the procedures.	
Internal audit plan 2016/17	Audit and Governance Committee 21 March 2016	Adrianna Partridge Email: adrianna.partridge@southandvale.gov.uk	The council audits its services through the internal audit service.	To approve the internal audit plan for 2016/17	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
External auditor's report	Audit and Governance Committee 21 March 2016	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor to bring a progress report		