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AGENDA

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Date: 10 March 2017

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A MEETING OF THE

Joint Audit and Governance Committee

WILL BE HELD ON MONDAY 20 MARCH 2017 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	David Turner
Dudley Hoddinott	Henry Spencer	John Walsh

Substitutes

David Dodds	*Toby Newman*
Paul Harrison	*Richard Pullen*

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1 Apologies for absence

To record apologies for absence and the attendance of substitute members.

2 Minutes (Pages 4 - 10)

To adopt and sign as a correct record the Joint Audit and Governance Committee minutes of the meeting held on 23 January 2017 (attached).

3 Declarations of interest

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

4 Urgent business and chairman's announcements

To receive notification of any matters which the chairman determines should be considered as urgent business and the special circumstances which have made the matters urgent, and to receive any announcements from the chairman.

5 Public participation

To receive any questions or statements from members of the public that have registered to speak.

6 2016/17 statement of accounts

To receive an oral update from the external auditor.

7 Internal audit activity report quarter four 2016/2017 (Pages 11 - 42)

To consider the report of the assurance manager (attached).

8 Internal audit management report quarter four 2016/2017 (Pages 43 - 54)

To consider the report of the assurance manager (attached).

9 Internal audit annual plan 2017/2018 (Pages 55 - 63)

To consider the report of the assurance manager (attached).

10 Statement of accounts 2016/17 (Pages 64 - 96)

To consider the report of the head of finance/chief accountant (Capita) (attached).

11 Audit and governance work programme (Pages 97 - 101)

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 ON MONDAY 23 JANUARY 2017 AT 6.30 PM
MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON, OX14 4SB

Present

Members:
South Oxfordshire District Councillors: Charles Bailey, Kevin Bulmer, Dudley Hoddinott, Simon Howell, Chris Palmer, Alan Thompson and John Walsh

Vale of White Horse District Councillors: Dudley Hoddinott, Simon Howell (Chairman) and Chris Palmer

Officers

William Jacobs, Adrianna Partridge and Ron Schrieber

Also present:

Cllr Jane Murphy (SODC), Andrew Brittain (EY), Gary Carey (Five Councils' Partnership Client Team Property Manager) and Simon Hewings (Capita)

32 Apologies

Henry Spencer tendered apologies.

33 Declarations of interest

None.

34 Minutes

RESOLVED: to adopt as a correct record the minutes of the meeting held on 26 September 2016 and agree that the chairman sign them as such.

35 Urgent items

None.

36 Statements, petitions and questions received from members of the public

None.

37 External auditor's annual letters 2015/16

The committee considered the external auditor's annual audit letters for 2015/16 and noted that an unqualified opinion had been issued on both South Oxfordshire and Vale of White Horse District Councils' financial statements.

The reports identified the procurement of the new corporate services contract as a significant risk to both councils. However, the audits did not identify any significant matters in relation to this risk or both councils' overall arrangements and unqualified value for money conclusions had been issued.

In response to a member's question, the committee was informed that the "multiple control failures" for accounts payable, which had been identified by both external and internal audit, were not significant in the context of being able to provide an unqualified financial statement opinion, as assurance was gained through other testing.

RESOLVED: to note the external auditor's annual audit letters for 2015/16.

38 External auditor's report on the certification of claims and returns 2015/16

The committee considered the external auditor's certification of claims and returns annual report for 2015/16 and noted that there had been only minor amendments to the housing benefits subsidy claims and no significant issues.

RESOLVED: to note the external auditor's certification of claims and returns annual report for 2015/16.

39 South Oxfordshire and Vale of White Horse District Councils' Audit Plan 2016/17

The committee considered EY's audit plan 2016/17 which set out how they intended to carry out their responsibilities as the councils' external auditor.

No significant financial statement risks had been identified other than the accepted general risk of fraud in revenue recognition and management override. In addition, the implementation of the corporate services contract and the senior management restructure had been identified as significant value for money risks.

In response to a member's question regarding the auditing of the five councils' partnership, the committee was informed that EY would look at it as part of the overall control environment and internal audit would include it within the 2017/18 audit plan to be submitted to the next meeting.

RESOLVED: to note the Vale of White Horse and South Oxfordshire District Councils' audit plan 2016/17.

40 Appointment of external auditors

The committee considered the head of finance's report regarding the future appointment of external auditors by both councils.

For the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime. Opting in meant that authorities confirm that they wish to use auditors who will be appointed to a panel by Public Sector Audit Appointments (PSAA) following a tender process which will be run by the PSAA and was expected to commence in March 2017. By asking authorities to confirm they wish to opt in, the PSAA will be able to assess the demand and tailor their tender process accordingly with the intention of securing economies of scale.

The main advantages of using PSAA were set out in the report. The date by which authorities need to opt in to the appointing person arrangements was 9 March 2017.

RECOMMENDED: to South Oxfordshire and Vale of White Horse Councils to opt in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

41 Internal audit activity report - third quarter 2016/17

The committee considered the assurance manager's report on internal audit activity during the third quarter 2016/17. This summarised the outcomes of recent audit activity.

Seven audits had been completed during the quarter, three of which had received limited assurance.

Building control 2016/2017

The committee considered the main findings and recommendations of the internal audit report.

In response to members' questions, the committee was advised that:

- With regard to recommendation 2, transparency of building regulation charges, the head of planning reported that customers were charged on an individual basis, calculated on a fixed hourly rate.
- With regard to recommendation 3, personal protective equipment risk assessment, the head of planning accepted the need to demonstrate that a process was in place.
- With regard to recommendation 4, the head of planning accepted the recommendation and stated that it would be implemented.

Facilities Management 2016/2017

The committee considered the main findings and recommendations of the internal audit report and was advised that, since the publication of the report, facilities management had been outsourced to VINCI. Accordingly, recommendations 1 and 2, regarding purchasing policy and invoices respectively were no longer applicable.

Recommendation 3 a) regarding the management of franking machine services, had been resolved and recommendation 3 b) regarding roles and responsibilities, had been partially addressed by the appointment of the five councils' partnership client team property manager.

Cornerstone 2016/2017

The committee considered the main findings and recommendations of the internal audit report.

In response to members' questions, the committee was advised that:

- With regard to recommendation 1, policies and procedures, a council-wide review of business continuity was in progress.
- With regard to recommendation 4, petty cash, random spot checks were carried out at least once a year. The committee requested that officers report back on the frequency of petty cash checks by management.
- With regard to recommendation 5, DBS checks, there were two issues – checks on third parties such as tutors and checks on Cornerstone officers. With regard to the latter, the latest advice from HR, that general staff did not require DBS checks, was contrary to internal audit's view that all Cornerstone officers who have possible interactions with children and/or vulnerable adults should be subject to DBS checks. Following the outsourcing of the councils' HR services to Capita in August 2016, the advice of the new service provider had been requested. Once received it would be reported to the committee. Following further discussion, the committee expressed the view that the HR policy on DBS checks should not be a blanket policy but needed to reflect the actual nature of posts and that staff who have possible interactions with children and/or vulnerable adults should be subject to DBS checks

RESOLVED: to note the internal audit activity report for the third quarter 2016/17.

42 Internal audit management report - third quarter 2016/17

The committee considered the assurance manager's management report on internal audit for the third quarter of 2016/17.

The report highlighted the following issues:

Five councils' partnership (5CP)

Internal audit was now consulting on 5CP activity. A number of operational concerns had been identified as a result of this work. An internal 5CP programme board has been established to ensure strong South Oxfordshire and Vale of White Horse district councils' governance of the partnership. Membership of the programme board includes the chief executive, interim chief operating officer, section 151 officer, monitoring officer, South Oxfordshire/VWHDC 5CP lead councillors, communications and the assurance manager. A 5CP paper with further information would be presented to the next meeting.

The assurance manager reported that the level of 5CP involvement was placing a strain on current internal audit resources. This was currently being reviewed and will be considered as part of the 2017/2018 audit plan process.

In response to a member's question, the head of finance reported that the area of greatest concern was HR.

Emergency planning

The emergency planning resource provided by Oxfordshire County Council will cease at the end of January 2017. The risk and insurance officer will be temporarily covering the emergency planning duties until a successful recruitment process is completed.

RESOLVED: to note the internal audit management report for the third quarter of 2016/17.

43 Treasury management mid-year monitoring 2016/17

The committee considered the head of finance's report that monitored performance of the council's treasury management function for the first half of 2015/16.

The committee was informed that during September 2016, a breach of counterparty limits occurred with Newcastle Building Society. South Oxfordshire District Council invested £2 million with Newcastle Building Society on 1 September 2016. This investment took the council £0.5 million over the agreed limit of £12 million. A temporary authorisation was sought and obtained from the Section 151 officer. The breach will be corrected in April 2017 when £1 million matures and brings the council back within its agreed limits.

A member highlighted the risk to the control environment following the transfer of accountancy staff to Capita in August 2016. The committee was advised that the breach of counterparty limits had occurred as an error made prior to August 2016. In addition, the Section 151 officer was satisfied that there was no current need to review practices following the TUPE transfer of staff to Capita in August 2016, whilst the service was provided on a business as usual basis. However, the current arrangements might change in 2017/18 and, if they did, practices would be reviewed.

RECOMMENDED to Cabinets to recommend Councils to:

(a) note the treasury management mid-year monitoring report 2016/17;

(b) record that the committee is satisfied that the treasury management activities are carried out in accordance with the treasury management strategy and policy; and

(c) request the cabinets to consider the comments of this committee and recommend the Councils to approve the report.

44 South Oxfordshire District Council Treasury management and investment strategy 2017/18 to 2019/20

The committee considered the head of finance's report that set out South Oxfordshire District Council's treasury management and investment strategy for 2017/18 to 2019/20.

The proposed strategy for 2017/18 included the following changes from that approved in 2016:

Table 2 Prudential Indicators

- To raise the authorised limit for external debt to £30 million.
- To raise the operational boundary for external debt to £25 million from £5 million.
- To change the limits on fixed interest rate investments to 100 per cent from £100 million
- To raise the limits on variable interest rate investments to £50 million from £30 million
- To remove the detailed limits on investments to maturity where they are split into bands of one to two years of £70 million, two to five years of £50 million and more than five years of £50 million, retaining the limit on principal sums invested for longer than 364 days to £70 million.

Table 5 Counterparty Limits

- To change the maximum maturity date on investments with institutions with a minimum rating F1+/A+ to 4 years from 3 years
- To change the maximum maturity date on investments with institutions with a minimum rating F1+/AA- to 3 years from 4 years

Annex 2 Liquidity

- To simplify the performance measurement in terms of investment liquidity in Annex 2 paragraphs three and four to focus on maintaining minimum levels of working capital in short term vehicles

These changes were proposed to allow the council to fund future spending in the most financially advantageous way.

RECOMMENDED to Cabinet to recommend Council to:

(a) approve the treasury management strategy 2017/18 set out in appendix A to the head of finance's report;

(b) approve the prudential indicators and limits for 2017/18 to 2019/20 as set out in table 2, appendix A to the head of finance's report;

(c) approve the annual investment strategy 2017/18 set out in appendix A (paragraphs 23 to 66) and the lending criteria detailed in table 5 to the head of finance's report.

45 Vale of White Horse District Council treasury management and investment strategy 2017/18 to 2019/20

The committee considered the head of finance's report that set out Vale of White Horse District Council's treasury management and investment strategy for 2017/18 to 2019/20.

The proposed strategy for 2017/18 included the following changes from that approved in 2016:

Table 2 Prudential Indicators

- To change the limits on fixed interest rates to 100 per cent from £40 million.
- To raise the limits on variable interest rates to £50 million from £30 million.
- To raise the upper limit for principal sums invested for longer than 364 days to £40 million from £30 million.

[Note that the Section 151 officer has already agreed that the limit on fixed interest rates can be increased from £40 million to £43 million in 2016/17. This followed a breach of the existing limit during December 2016.]

Appendix A Minimum Revenue Provision (MRP)

- To approve the change in the MRP policy that states that the council will use the "asset life method" to calculate MRP as a provision for repayment of borrowing if applicable.

Annex 2 Liquidity

- To simplify the performance measurement in terms of investment liquidity in Annex 2 paragraphs three and four to focus on maintaining minimum levels of working capital in short term vehicles

These changes were proposed to allow the council to fund future spending in the most financially advantageous way.

RECOMMENDED to Cabinet to recommend Council to:

(a) approve the treasury management strategy 2017/18 set out in appendix A to the head of finance's report;

(b) approve the prudential indicators and limits for 2017/18 to 2019/20 as set out in table 2, appendix A to the head of finance's report;

(c) approve the annual investment strategy 2017/18 set out in appendix A (paragraphs 24 to 63) and the lending criteria detailed in table 5 to the head of finance's report.

46 Audit and governance work programme

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

It was noted that a report on the five councils' partnership would be submitted to the next meeting.

The meeting closed at 8.00 pm

Chairman Date

Audit and Governance Committee

Report of Assurance Manager

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To: Audit and Governance Committee

DATE: 20 March 2017

Internal audit activity report quarter four 2016/2017

Recommendation

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, Assurance Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422485.

Strategic Objectives

3. Running an efficient council.

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

2016/2017 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: 1
   Satisfactory Assurance: 0
   Limited Assurance: 2
   Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs	No. Agreed	Medium Risk Recs	No. Agreed	Low Risk Recs	No. Agreed
Joint								
Creditor Payments 2016/2017	Limited	**10**	3	3	5	5	2	2
CSP Procurement 2016/2017	Substantial	**2**	0	0	1	1	1	1
Treasury Management 2016/2017	Limited	**5**	2	2	3	3	0	0
SODC								
None								
VWHDC								
None								

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing	No longer applicable
Joint							
Gifts and Hospitality 1617	Substantial	1	1	0	0	0	0
ICT 1516	Satisfactory	8	3	0	2	1	2
Risk Management 1617	Limited	14	0	2	3	9	0
Facilities Management 1617	Limited	3	1	0	0	0	2
HR Management 1516	Satisfactory	5	2	0	3	0	0
Safeguarding 1617	Substantial	3	1	0	2	0	0
Insurance 1516	Limited	18	11	5	0	1	1
SODC							
None							
VWHDC							
None							

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. 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
ASSURANCE MANAGER

APPENDIX 1

1. Creditor Payments 2016/2017

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to creditor payments. The audit has a priority score of 22. The draft report was issued on 2 December 2016 and the final report was issued on 3 March 2017.

1.2 The following areas have been covered during the course of this review to provide assurance that:

- appropriate policies and procedures are in place which are adhered to with roles, responsibilities and authorisers for creditors clearly documented;
- invoices are promptly processed and supported by appropriate documentation;
- manual, direct debit and BACS transfer payments are strictly controlled, appropriately authorised and paid correctly;
- adequate controls are in place to prevent duplicate payments;
- refunds are appropriately authorised and actioned;
- VAT is being appropriately allocated for creditor payments.

2. BACKGROUND

2.1 Creditor payments or accounts payable are payments by the councils to third party suppliers for goods or services purchased. Capita exchequer services provide the system administration for creditor payments through the financial management system Agresso.

2.2 SODC
At the time of the audit review (31 October 2016), there were 4,230 invoices received since April 2016, which totalled £19,708,349.54. Of these, 2,111 were purchase order invoices totalling £10,033,496.42 and 2,119 were non-purchase order invoices totalling £9,674,853.12.

2.3 VWHDC
At the time of the audit review (31 October 2016), there were 3,988 invoices received since April 2016, which totalled £17,589.842.98. Of these, 1,419 were purchase order invoices totalling £9,996,360.55 and 2,569 were non-purchase order invoices totalling £7,593,842.98.

3. PREVIOUS AUDIT REPORTS

3.1 SODC
Creditor payments was last subject to an internal audit review in February 2016 and six recommendations were raised. All six recommendations were agreed. A limited assurance opinion was issued.

3.2 Of the six recommendations, one has been implemented and five recommendations are no longer applicable and have been superseded.

No joint recommendations have been restated as part of this review.

3.3 VWHDC
Creditor payments was last subject to an internal audit review in February 2016 and five recommendations were raised. All five recommendations were agreed. A limited assurance opinion was issued.

3.4 All five recommendations are no longer applicable and have been superseded. No joint recommendations have been restated as part of this review.

4. 2016/2017 AUDIT ASSURANCE

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

4.2 Ten joint recommendations have been raised in this review. Three high risk, five medium risk and two low risk.

5. MAIN FINDINGS

5.1 Policies and procedures

5.1.1 The councils have in place financial procedure rules, which are part of the Constitution, which sets out how the councils manage their finances, including creditor payments. Review confirmed that the constitutions are up-to-date and were last updated in August 2016 and available to the officers via the councils' website. It is noted that the updates to the Constitution were approved at both Council meetings in July 2016.

5.1.2 Procedures are in place for creditor payments, which clearly defines the roles and responsibilities of both council officers and Capita exchequer services staff. The procedures are available to relevant officers via the intranet. It is noted that Capita exchequer services also have procedures in place for the process they undertake as part of creditor payments.

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

5.2 Invoice process

5.2.1 Capita's Darlington team receive the councils' invoices and Capita exchequer services process them for payment. Invoices are receipted, scanned and checked, prior to payment being made to the supplier. A target of paying supplier invoices within 30 days is 99%, and usage of purchase orders is encouraged to speed up the payment process. A sample of 40 (20 SODC & 20 VWHDC) invoices were selected and review found that:-

- eight (four SODC & four VWHDC) were non-purchase order invoice and were on the agreed exemption list.
- six (two SODC & four VWHDC) were paid after 30 days from invoice

date, of which:-
  - Two SODC invoices were sent to the council offices in Milton Park, instead of Darlington;
  - One VWHDC invoice was not received and a copy invoice was requested;
  - Two VWHDC invoices had delays in being approved; and
  - One invoice was delayed in being registered onto the Agresso system, but was paid promptly as soon as it was registered.
- all invoices were linked to the suppliers' account and transaction, and an audit trail was available in a form of a flowchart and logbook.

5.2.2 Daily checks are undertaken of any outstanding invoices and weekly reports are sent to the councils on invoices that still require authorisation. Invoices parked are also sent on to the councils on a weekly basis to establish if the invoices can be paid. Review of both outstanding and parked invoices' reports confirmed that they are reviewed and managed appropriately.

5.2.3 Capita's performance against targets are monitored on a monthly basis as part of the five councils partnership finance and accountancy monthly review meetings. It is noted that the monthly meetings are between the finance and procurement client team and Capita's accountancy and finance team. Review of the latest (November 2016) performance stats confirmed that exchequer services performance is meeting target; however, a comparison review of the performance information currently presented and reviewed compared to the previous performance information reviewed found that the client team previously had more information to monitor and manage the service appropriately.

5.2.4 Area assurance: Satisfactory
Two recommendations have been made as a result of our work in this area (Recs 1 and 2).

5.3 **Payments**

5.3.1 Manual payments are made for urgent payments separate from the weekly payment runs. These are requested through an urgent payment voucher and dealt with the same way as the normal payment requests within the Agresso system. Review of 21 (10 SODC & 11 VWHDC) urgent payments made since 1 April 2016 to 31 October 2016 confirmed that the payments were appropriate. However, it is noted that one SODC urgent payment was made against an invoice that was addressed to both SODC and VWHDC, which should have been rejected as invoices can only be addressed to one council.

5.3.2 BACS is the default payment with cheque payments used as an exception, while there are no suppliers set up for payment by direct debit. It is noted that the procedure notes - accounts payable (non PO) states that bank details must be obtained on headed company notepaper or a signed letter for individuals, so that the supplier can be set up to be paid by BACS. However, since April 2016 the process for setting up suppliers, including obtaining bank details, changed whereby Capita exchequer services only accept changes to suppliers if a supplier form is

completed, and the procedures have not been updated to reflect the changes. Weekly payment runs for both BACS and cheque payments are sent to the councils for authorisation, and review confirmed email authorisation prior to payment being processed. Review of BACS payment rejections established that rejections are not managed appropriately, as the supplier master file is not updated if a rejection is due to the bank account being closed.

5.3.3 Area assurance: Limited
Three recommendations have been made as a result of our work in this area (Recs 3, 4 and 5).

5.4 **Duplicate payments**

5.4.1 Within the Agresso system is a built in control preventing invoices from being registered if any invoices that are scanned has the same supplier name and invoice number. The invoice is sent to Capita exchequer service team's workflow to review. An Agresso report of invoices paid since 1 April 2016 to 31 October 2016 was received and review established that there were 13 (three SODC and ten VWHDC) duplicate invoices. Review of the 13 duplicate invoices found that:-

- Three (SODC) invoices were registered and paid, however one was identified as a duplicate payment after payment and a refund was requested;
- Ten (VWHDC) invoices were registered, but were identified as duplicate payments and journals were done to reverse the transaction.
- Eight (three SODC & five VWHDC) invoices were processed to both the correct supplier and another supplier;
- Six (two SODC & four VWHDC) invoices had a PO raised, but matched to both the correct supplier and somehow another supplier.

It is noted that part of the duplicate invoice review, a control weakness was established on the grants payment system as there is no segregation of duties between the officer creating the grants payment and the officer approving the payment.

5.4.2 The Agresso system has a built in control in place to mitigate the risk of duplicate payment being made as it will only allow one payment to be made against an invoice once. It is noted that there still is potential for duplicate payments if:-

- duplicate suppliers are created;
- the sundry supplier account is used when the supplier already has an existing account.

An Agresso listing of all open & closed supplier accounts was obtained and review established that there are 3,455 (1,914 SODC and 1,541 VWHDC) open supplier accounts, of which 177 (93 SODC & 84 VWHDC) were possible duplicate accounts. Review of 40 (20 SODC & 20 VWHDC) suppliers found 26 (14 SODC & 12 VWHDC) suppliers to have duplicate accounts set up on the Agresso system.

5.4.3 Sundry supplier accounts are used as one-off payments to suppliers that have not been set up onto the Agresso system. Review of the sundry supplier account report in 2016/2017 to 31 October 2016 established that 327 (174 SODC and 153 VWHDC) transactions totalling £110,937.13

(£49,753.63 SODC and £61,183.50 VWHDC) were paid through the account. Review of a sample 20 (10 SODC and 10 VWHDC) sundry account transactions found that:-

- Six (three SODC & three VWHDC) suppliers had an existing supplier account on the Agresso system;
- One (SODC) supplier had multiple payments made through the sundry account.

It is noted that the review of the sundry supplier accounts have stopped since the new five councils' partnership started on 1 August 2016.

5.4.4 Area assurance: Limited
Five recommendations have been made as a result of our work in this area (Recs 6, 7, 8, 9 and 10).

5.5 **Credit notes and refunds**

5.5.1 Procedures are in place to cover the management of refunds in the form of credit notes received being offset against invoices. Credits since 1 April 2016 to 31 October 2016 was obtained and review of 40 (20 SODC & 20 VWHDC) credit notes confirmed that:-

- credit notes are offset against the invoice;
- segregation of duties exist between the officer raising and approving the credit note;
- credit notes were managed and approved appropriately;
- credit notes were linked to the suppliers' account and transaction, and an audit trail was available in a form of a flowchart and logbook.

5.5.2 On a monthly basis as part of SLA performance, Capita exchequer services sends the councils a report of supplier accounts with a debit balance. From review of the balances as at the end of September 2016, there are 62 (33 SODC & 29 VWHDC) suppliers, totalling £86,525.95 (£33,085.15 SODC & £53,440.80 VWHDC) that owed to the council. It is noted that an invoice is not issued to the supplier to recoup the debit balance, but is offset against future payments that become due.

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

5.6 **VAT**

5.6.1 The VAT part of invoices, which are received from suppliers, are coded to B0901 X002 on the Agresso system. Accountancy have a nominated officer in place and both the intranet and the accounts payable procedures advise officers to contact the nominated officer if they have any queries regarding VAT. Review of 40 (20 SODC & 20 VWHDC) invoices confirmed that VAT was appropriately recorded.

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

OBSERVATIONS AND RECOMMENDATIONS

INVOICE PROCESS

1. Invoice payments (Low Risk)

Rationale	Recommendation	Responsibility

Best Practice
Supplier invoices are processed and paid in a timely manner.
 	
Findings
A sample of 40 (20 SODC & 20 VWHDC) invoices were selected and review found that:-
• six (two SODC & four VWHDC) were paid after 30 days from invoice date, of which:-
  ○ Two SODC invoices were sent to the council offices in Milton Park, instead of Darlington;
  ○ One VWHDC invoice was not received and a copy invoice was requested;
  ○ Two VWHDC invoices had delays in being approved; and
  ○ One VWHDC invoice was delayed in being registered onto the Agresso system, but was paid promptly as soon as it was registered.
 	
Risk
If suppliers are not paid in a timely manner, there is a risk of late payment charges or reputational damage.
	A notification should be sent to service areas to ensure that invoices are paid promptly, which states:-
	• they remind their suppliers to send all invoices to Darlington; and
	• they review and approve all invoices efficiently.
		Head of Financial Services (Capita)

Management Response	Implementation Date
Recommendation is **Agreed** There will always be invoices sent to the wrong addresses or paid late, however there does need to be a re-enforcement of the messages to council staff and suppliers regarding the correct processes to follow. This will be picked up as part of the new Financial Management System (Integra) implementation. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)	31 March 2017

2. Performance stats (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Performance measures are in place and submitted to the councils for appropriate monitoring of the service	Exchequer services should send the finance & procurement client team the SLA performance stats, so that the client team can monitor	Finance Exchequer Manager

provided. Findings Comparison review of the current performance information reviewed, since the new five councils partnership (1 August 2016) compared to the previous performance information reviewed found that the revenues and benefits client team previously had more information for the client team to monitor and manage appropriately. Risk If the councils are not receiving the fullest information to monitor creditor performance, there is a risk that the councils not being aware of any inefficiencies in the service provided.	performance of the service provided effectively.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The change in manager meant there was a period of time when the SLA information was not being sent, this has now been rectified and SLA information is being provided as requested. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)		Implemented

PAYMENTS

3. Invoice addressed to (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Supplier invoices are addressed to one council and rejected if addressed to both councils. Findings One SODC urgent payment was a VAT invoice and review found that the invoice was addressed to both SODC and VWHDC, which Capita should have rejected, but instead was paid by SODC. Invoices cannot be address to both councils, it should be addressed to either SODC or VWHDC. Risk If invoices are addressed to both councils, there is risk of the invoice being registered onto both councils' Agresso systems resulting in suppliers being paid twice and the systems' controls not preventing the duplicate payment. Furthermore, there is a	If suppliers submit creditor invoices addressed to both councils, Capita should reject and return the invoices and request that the invoice is addressed to either SODC or VWHDC.	Head of Financial Services (Capita)

risk regarding VAT implications.		
Management Response		**Implementation Date**
Recommendation is **Agreed** We have reiterated the message to the Capita mailroom in Darlington that they should reject any invoices not appropriately addressed. There may always be an occasion whereby one slips through and this is why it is important invoices are checked by Council staff prior to approval. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)		Implemented

4. Procedure notes (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Procedure notes are up-to-date and documents the current process undertaken. Findings The procedure notes - accounts payable (non PO) state that i**f the supplier is not already paid by BACS bank details on headed company notepaper for organisations, or a signed letter for individuals is required**. However, Capita exchequer services now only accept a change to supplier, i.e. whether it is a change in the name, address or bank details, if a supplier amendment form or new supplier form is completed. Risk If procedure notes are not updated or in place, there is a risk of officers unknowingly taking inappropriate actions.	The procedure notes - accounts payable (non PO) should be reviewed and updated to include the process of completing the supplier amendment form/new supplier form prior to requesting Capita exchequer services to change supplier details.	Finance Officer (Client)
Management Response		**Implementation Date**
Recommendation is **Agreed** The procedure notes will be updated to reflect the current working practices. There will, however, be wholesale changes to the councils' procedures notes once the new Financial Management System (Integra) has been implemented. The Client team will work with Capita to implement these changes. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)		31 March 2017

5. Bank details (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Amendments are made to the supplier bank details after BACS	After Capita exchequer services obtains notification of BACS payment rejections,	Finance Exchequer Manager

payments are rejected. Findings Examples of BACS rejects were obtained and it was established that BACS rejections are not suitably managed. A payment initially made to a supplier was rejected on 18/04/2016 with the reason account closed, however two further payments were made to the same supplier and bank account, and again rejected on 24/05/2016 and 31/05/2016 with the same reason. Risk If supplier bank details are not updated or deleted after BACS payments are rejected, there is a risk of more payment rejection in the future resulting in late payment charges or reputational damage.	checks should be undertaken on the supplier master files and bank details are either updated or deleted, if deleted payment method changed to cheque payment and the service area is notified.	
Management Response		**Implementation Date**
Recommendation is **Agreed** The Accounts Payable team used to leave the bank account details in the system if there was a BACS reject. However, the Finance Exchequer Manager has now changed this process so when we receive a BACS reject, the bank account details are removed from the system so the BACS payment is not attempted again. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)		Implemented

DUPLICATE PAYMENTS

6. Duplicate invoices - received twice (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Duplicate invoices are identified prior to them being registered onto the system and payments are not made. Findings Review of the 13 duplicate invoices found that:- • Three (SODC) invoices were registered and paid, however one was identified as a duplicate payment after payment and a refund was requested. Risk If duplicate invoices are not identified prior to registration, there is a risk of duplicate payments being made.	a) A review should be undertaken of duplicate invoices and for any duplicate payments made, a refund should be requested to recoup the payment as soon as possible. b) Regular reviews of duplicate invoices should be undertaken to prevent duplicate payments from occurring.	Finance Exchequer Manager

Management Response	Implementation Date
Recommendation is **Agreed** A review of the creditors ledger has been undertaken, which has looked at all invoices within the accounts payable ledger and applied a variety of matching criteria to identify the high risk duplicate invoices. Of the duplicate invoices which were subsequently identified, a number of them had not been paid to the suppliers. Of the ones where a duplicate payment had been made, recovery of the monies had commenced. A regular review of the creditor ledger will be carried out to ensure where duplicate payments are made the controls are reviewed and recovery is commenced. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)	30 June 2017

7. Purchase order controls - duplicate processing of invoices (High Risk)

Rationale	Recommendation	Responsibility
Best Practice The Agresso system prevents purchase orders from manually being linked to another supplier. Findings Review of the 13 duplicate invoices found that:- • Eight (three SODC & five VWHDC) invoices, only received once but registered twice, were registered to both the correct supplier and another unrelated supplier; • Six (two SODC & four VWHDC) invoices had a PO raised, but were matched to both the correct supplier and somehow another supplier. Risk If purchase orders are being manually linked to another supplier, there is a risk that invoices can be registered to numerous suppliers resulting duplicate payments.	A control should be in place on the Agresso system preventing purchase orders that are raised for one supplier being manually linked to another supplier without explanation.	Finance Exchequer Manager

Management Response	Implementation Date
Recommendation is **Agreed** The Agresso system has controls in place to flag invoices which are matched against the right purchase order number, but the wrong supplier. We have reiterated to the team the requirement to check these flags with due rigour prior to posting the invoice. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)	Implemented

8. Duplicate suppliers (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Suppliers only have one open account on the Agresso system, if they have the same address and banking details. Findings Review of 40 (20 SODC & 20 VWHDC) suppliers found 26 (14 SODC & 12 VWHDC) suppliers to have duplicate accounts set up on the Agresso system. It is noted that exchequer services undertook a review of duplicate suppliers and submitted the review to the finance and procurement team in September 2016; however, at the time of the audit review (October 2016) duplicate supplier accounts were still open on the Agresso system. Risk If suppliers have more than one account on the Agresso system, there is a risk of invoices being registered more than once and payments being against the wrong account.	Regular reviews should be undertaken on the supplier master file to ensure that possible duplicate suppliers are reviewed and if necessary, closed on the Agresso system.	Finance Exchequer Manager

Management Response	Implementation Date
Recommendation is **Agreed** This task has already been completed by the Exchequer Finance Manager and is with the council for review, once the council confirm they are happy for the accounts payable team to close these accounts, then the process will be completed and all duplicate supplier will be removed. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)	31 March 2017

9. Payment vouchers (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice The sundry supplier account is only used for one-off payments to suppliers not set up on the Agresso system. Findings The Capita exchequer services team receive payment vouchers asking to be processed against the sundry supplier account, which is intended for one-off supplier payments. However, no checks are undertaken by Capita	Payment vouchers received to make payment through the sundry supplier account should be reviewed and challenged prior to payment.	Finance Exchequer Manager

exchequer services, or the requester and authoriser of the payment voucher to ensure a supplier does not already exist. Review of 20 (ten SODC & ten VWHDC) sundry account transactions found that:- • Six (three SODC & three VWHDC) suppliers had an existing supplier account on the Agresso system; • One (SODC) supplier had multiple payments made through the sundry account. <u>Risk</u> If payment vouchers received for payment through the sundry supplier account are not reviewed, there is a risk of transactions being processed through different accounts resulting in duplicate payments.		
Management Response		**Implementation Date**
Recommendation is **Agreed** The Exchequer Finance Manager has asked the accounts payable team to review the payment vouchers that are received to check if the supplier is already on the system. Going forward past April 2017 the councils will be on Integra and the payment vouchers will be electronic so there will be system checks in place to flag any errors. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)		30 April 2017

10. Sundry supplier account usage (Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Service areas undertake relevant checks, i.e. establish if an account exists on the Agresso system, prior to using the sundry supplier account to pay a supplier. <u>Findings</u> Review of 20 (ten SODC & ten VWHDC) sundry account transactions found that:- • Six (three SODC & three VWHDC) suppliers had an existing supplier account on the Agresso system; • One (SODC) supplier had multiple payments made through the sundry account. <u>Risk</u> If checks are not undertaken prior to the sundry supplier account	An email should be sent to service areas reminding them to:- • check to confirm if the supplier already exists on the Agresso system, and • determine if the supplier will be used again, if so, to complete the new supplier form so they can be set up onto the Agresso system, prior to raising a payment voucher on the sundry suppliers account.	Finance Exchequer Manager

being used, there is risk of transactions being processed through different accounts resulting to duplicate payments.		
Management Response		**Implementation Date**
Recommendation is **Agreed** The accounts payable team have started to look at the payment vouchers in more detail to make sure the supplier is not already set up in the system. Once the councils go live on Integra in April, there will be an electronic version of the payment voucher which will mean the council will have to confirm if the supplier is a one off payee. Management response: Phil Brown, Operations Director - Finance & Accountancy (Capita)		30 April 2017

2. Treasury Management 2016/2017

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to treasury management. The audit has a priority score of 18. The draft report was issued on 3 March 2017 and the final report was issued on 8 March 2017.

1.2 The following areas have been covered during the course of this review to provide assurance that:

- appropriate policies and procedures are in place for the treasury management function which are harmonised across both councils;
- there is adequate separation of duties with clearly resourced and defined roles and responsibilities for the treasury management function;
- investment and borrowing is dealt with appropriately and in accordance with policies and procedures;
- the council is adhering to the current CIPFA code of practice;
- treasury management performance is appropriately monitored and reported; and
- suitable access level controls are in place for the treasury management and banking system.

2. BACKGROUND

2.1 Local authorities' treasury management activities are prescribed by statute i.e. the Local Government Act 2003, and the regulations issued under that Act. This is where the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice derives its legal status. CIPFA define treasury management as *"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.".*

2.2 From 1 August 2016, the accountancy function, including treasury management, transferred to Capita as part of the 5 Councils Partnership contract.

2.3 As at 30 September 2016, SODC had an average investment balance of £141,657,000 across treasury, non-treasury and property investments with mid-year investment income of £2,261,000 against a budget of £1,332,000. VWHDC had an average investment balance of £52,914,000 across treasury and property investments with mid-year investment income of £865,000 against a budget of £287,000.

3. PREVIOUS AUDIT REPORTS

3.1 Treasury management was last subject to an internal audit review in March 2016 and one joint recommendation was raised. The recommendation was agreed and a substantial assurance opinion was issued.

3.2 The recommendation was implemented by delivery of treasury management training to councillors immediately before the 23 January 2017 audit and governance committee.

4. 2016/2017 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 Three joint recommendations have been raised in this review and one specific to SODC and one specific to VWHDC. Two recommendations are high risk and three are medium risk.

5. MAIN FINDINGS

5.1 Policies and procedures

5.1.1 Each council's constitution covers treasury management and includes assigning the role of ensuring effective scrutiny of the treasury management strategy to the joint audit and governance committee. It also sets out the section 151 officer's role regarding organising and monitoring the investment of council funds and other treasury management functions.

5.1.2 The treasury management activities of each council needs to comply fully with legal statute and the regulations of the council. These include CIPFA's Treasury Management Code of Practice 2001 and subsequent amendments which sets out four minimum requirements for the councils to comply with the code. One of these is to have an annual strategy and plan in advance of the year and another is to consider prudential indicators as part of the strategy. The remaining two relate to reporting which is covered below. SODC has a Treasury Management Strategy and VWHDC has a Treasury Management and Investment Strategy. Although the titles of the documents differ, both include a treasury management strategy, an investment strategy and prudential indicator limits. From review, the strategies were found to be up to date, comprehensive and suitably authorised. However, they would benefit from harmonisation in some areas.

5.1.3 Each council has Treasury Management Practice (TMP) guidance documents setting out how treasury management policies and objectives will be achieved and how activities will be managed. Different versions of the TMP's are available and there are differences between the TMP1 stated in the strategy and the most recent version of the TMP1 in the electronic accountancy directory.

5.1.4 The councils had a joint contract for treasury management advice with Capita Asset Services (CAS), a subsidiary of Capita Group Plc, for the period to 15 October 2016. Since then, advice has continued to be provided and Capita's target operating model sets out that operational support for the day to day cash management will be provided by CAS as a regulated provider.

5.1.5 Area assurance: Limited
Two recommendations have been made as a result of our work in this area (Recs 1 - 2).

5.2 Roles and responsibilities

5.2.1 Roles for treasury management stakeholders are stated within the strategy for each council and include the roles of the council, joint audit and governance committee (JAGC) and the section 151 officer. However, the strategy does not refer to the role of JAGC ensuring effective scrutiny of the treasury management strategy as stated in the constitution. It is not clear how the 5 councils partnership client team overseeing the finance service, interfaces with the councils' section 151 officer as far as treasury management and this is not covered by the current strategy which was drawn up prior to the service being outsourced. It is understood a review is currently being undertaken to identify any elements of the treasury management strategy, or other policies, that require updating to reflect the new outsourcing arrangements. However, internal audit have concerns that, should current arrangements continue, Capita will be authoring policies as well as carrying out the service provision and, since Capita prepare the treasury management reports, Capita will in effect be reporting on their own performance.

5.2.2 An accountant is assigned with day to day responsibility for each council's treasury management function and the officers can cover for the other should the need arise. A daily calculation is carried out by these officers for each council to identify any funds available for investment or a need to draw on funds, such as from money market funds or call accounts. The calculation and decisions are reviewed and authorised by either the principal accountant, accountancy manager (revenue) or the head of finance. The majority of the checking is undertaken by Capita.

5.2.3 From checks undertaken on a sample of 20 transactions for each council, there was evidence supporting the daily calculation being carried out each day and having been checked and authorised by an independent officer. The cover appears to be suitable but all of the resource except the head of finance is from Capita.

5.2.4 Area assurance: Limited
One recommendation has been made as a result of our work in this area. (Rec 3).

5.3 Investment and borrowing

5.3.1 The criteria for selecting counterparties to invest with and limits for

investments is set out in each council's treasury management strategy and investment strategy. Transactions can be a mixture of long and short term investments arranged through brokers, Money Market Fund account withdrawals and investments and call account withdrawals and investments. Whilst reviewing the list of loan transactions it was noted that the total that SODC had invested with Newcastle Building Society was £12,500,000 against a limit of £12,000,000. No evidence was available of approval being sought for exceeding the limit from the section 151 officer as is required in the constitution. It is acknowledged that the limit has been increased to £15,000,000 within the next strategy.

5.3.2 A sample of 20 individual investment transactions was reviewed for each council with checks undertaken to ensure daily investment calculations were available supporting the decisions, the daily calculation was independently reviewed and authorised, the investment was in accordance with the investment strategy and limits and the transaction was correctly coded within the general ledger. No areas of concern were noted regarding the transactions other than two typographical errors which had no impact upon the decisions and a duplicate record in an investment listing that was not duplicated in the cash flow calculation or daily calculation.

5.3.3 The scope and flexibility to borrow in the short term is set out in prudential indicators and limits. Each council has a borrowing strategy within the treasury management strategy but neither council has had a need for borrowing during 2015/2016 or 2016/2017 to date as at the time of review.

5.3.4 SODC
Area assurance: Satisfactory
One recommendation has been made as a result of our work in this area (Rec 4).

5.3.5 VWHDC
Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.4 CIPFA code of practice

5.4.1 The Local Government Act 2003 and supporting regulations requires the councils to 'have regard to' the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the councils capital investment plans are affordable, prudent and sustainable. The CIPFA code of practice makes recommendations designed to provide the basis for all public service organisations to create clear treasury management objectives and to structure and maintain sound treasury management policies and practices.

5.4.2 The councils' treasury management strategies and treasury management practices meet the primary requirements of the code. However, CIPFA

suggest that councils should use the lowest rating from all three rating agencies when evaluating investment opportunities. Both councils do not follow this advice as it is considered to limit the amount of available counterparties too much. Instead, the investment limits will be set by reference to assigned ratings. This is clearly explained in both councils' strategies.

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

5.5 Monitoring and reporting

5.5.1 A requirement of the CIPFA code is that security and liquidity benchmarks are considered and approved and these indicators are used to assess performance of treasury functions. Performance against benchmarking indicators are reported in the annual mid-year and year end treasury reports. These are presented to the joint audit and governance committee in January and September respectively each year. Only two of the four VWHDC benchmarking measures set out in the strategy are reflected within the annual report but all of those for SODC are addressed.

5.5.2 Each council is required to report local authority borrowing and lending to the Government by way of a quarterly return. At the time of review, the most recent return was as at 30 September 2016 and this was found to be supported by working papers for each council detailing how the figures submitted were arrived at.

5.5.3 A listing is maintained by each council logging loans made and recording treasury activity as and when transactions take place. The spreadsheets were used for sample checks within the other objectives of this review and were found to be comprehensive and up to date.

5.5.4 SODC
Area assurance: Full
No recommendations have been made as a result of our work in this area.

5.5.5 VWHDC
Area assurance: Satisfactory
One recommendation has been made as a result of our work in this area (Rec 5).

5.6 Access level controls

5.6.1 Financial transactions are recorded within the general ledger held in the Agresso financial system and access to that system is covered within the annual general ledger audit. The banking transactions are a part of the council's banking contract with Barclays Bank and officers use the Barclays Internet Banking (Barclays.net) package to access online banking records.

5.6.2 In order to use Barclays.net, software needs to be loaded onto the

workstation and users are issued with a USB device and access card with a pin. There are three officers acting as administrators of the system who create new users and reset pins but they do not have treasury management responsibilities. The access cards are reissued every two years and an audit trail is available showing user access history. From review of Barclays.net user access reports and an audit log for the system no areas of concern were identified.

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

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. Treasury management strategy (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Treasury management strategies for VWHDC and SODC are harmonised and clearly state roles of all stakeholders. Findings From comparison of the treasury management strategies for SODC and VWHDC the following differences were noted:- • The strategy for SODC refers to section 32 of the Local Government Act. The strategy for VWHDC refers to section 33 of the same act for the same detail. • The current position in the strategy for SODC refers in table 3 to classification as at 31/12/14. Table 3 for VWHDC refers to classification as at 31/12/15. • The minimum revenue provision in SODC's strategy refers to guidance in section 21 of the Local Government Act 2003. The VWHDC strategy refers to section 21(1A) of the same act. Furthermore, the role of the Joint Audit and Governance Committee (JAGC) set out in the strategy does not refer to the JAGC ensuring effective scrutiny of the treasury management strategy as stated in the constitution. Risk If the treasury management strategy does not address all roles and responsibilities then it may not be in accordance with the councils'	The treasury management strategies for both council's should be:- a) Harmonised to address differences identified. b) Updated to cover the role of the JAGC to ensuring effective scrutiny of the treasury management strategy	N/A

constitution.		
Management Response		**Implementation Date**
Recommendation is **Agreed** Management response: Simon Hewings, Chief Accountant (Capita)		Implemented

2. Treasury management practices (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Treasury management Practices (TMP's) should be kept up to date and in accordance with TMP's that are stated within treasury management strategies. Findings There are 12 TMP's within the accountancy electronic directory dating from February 2014. TMP1 covers credit and counterparty risk management and is included within the treasury management strategy for each council. The version held in the accountancy electronic directory differs substantially in content to that in the strategy. The remaining TMP's are out of date and do not reflect the current position regarding the outsourced service. The TMP's include TMP11 for the use of external service providers. Furthermore, there are older version of the TMPs located within the SODC specific treasury management folders. Risk If there is more than one version of a TMP in use then it may not be clear which is the most up to date hence there may be uncertainty as to which practice note officers should be following.	TMP's should be reviewed and updated to ensure they are current and reflect the councils' treasury management strategies and revised roles following the outsourcing of treasury management functions.	Chief Accountant (Capita)
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** TMP's will be reviewed with the S151 officer and the finance and procurement manager (client team), to reflect the current outsourced arrangements. Management response: Simon Hewing, Chief Accountant (Capita)		31 March 2018

ROLES AND RESPONSIBILITIES

3. Roles and responsibilities (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Roles and responsibilities within treasury management are clearly defined and documented including client contractor roles, monitoring and reporting arrangements. Findings Capita are producing the treasury management monitoring reports so will in effect be reporting upon their own performance. Furthermore the current TMP5 refers to separation of duties between those setting treasury management policy and those implementing and controlling the policies. The last policy was authored by an officer now employed by Capita. Roles and responsibilities within treasury management as far as the interface between the client, contractor and section 151 officer are not clear. Since 1 August 2016, treasury management functions have continued to be provided by Capita on the same basis, and with the same officers, as when the service was in house. This relies on Capita not changing responsibilities in order for the service continue as is. Risk If roles and responsibilities are not clearly defined then there is a risk that Capita's treasury management services is not independently reviewed and monitored.	Roles and responsibilities for treasury management functions, including producing policies and reporting on contractor performance, should be clearly defined and include details of how the 5 councils partnership client team interface with the councils' section 151 officer.	Head of HR, IT and Technical Services

Management Response	Implementation Date
Recommendation is **Agreed** It is agreed that roles and relationships regarding treasury management should be clearly defined. This will be included in a broader piece of work in which the respective responsibilities of the joint client team and retained staff (included s151 officer) are to be mapped and clarified in details. Management response: Andrew Down, Head of HR, IT and Technical Services	30 September 2017

INVESTMENT AND BORROWING

4. Exceeded limit – SODC only (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Any instances where treasury	a) Retrospective approval/acknowledgeme	N/A

management strategy limits are exceeded are managed in accordance with the council's constitution and correct authorisation is given. Findings At the time of review the council's investments with Newcastle Building Society totals £12.5 million. The treasury management strategy states that the maximum investment per counterparty for building societies with assets between £3,000 million and £5,000 million is £12 million in total. An update in November 2016 lists Newcastle with assets of £3,741 million so the limit for council investments is £12 million. The council's constitution allows the Chief Finance Officer (section 151) to make exceptions to the limits in the treasury management investment strategy in any financial year up to £3,000,000 subject to satisfactory assessment of risk and gain and in consultation with the cabinet member for finance. There was no evidence available to support approval for exceeding the limit being sought. Risk If the council exceeds limits set out in investment strategy without appropriate authorisation and review of associated risks then the council may not be acting a prudent manner and officers may be acting outside of their authorised limits.	nt should be sought from the section 151 officer and cabinet member for finance for exceeding the limit in the treasury management strategy. b) A mechanism should be introduced to ensure cumulative lending to individual organisations is monitored to identify instances where limits may be breached to ensure appropriate action is taken and authorisation is sought.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Report to the joint audit and governance committee in January 2017. Management response: Simon Hewing, Chief Accountant (Capita)		Implemented

MONITORING AND REPORTING

5. Benchmarking – VWHDC only (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Progress against treasury management benchmarks is clearly stated within the annual treasury management report. Findings VWHDC's treasury management strategy sets out four benchmark measures. Two of these are clearly	The treasury management annual outturn reports should clearly refer to, and record performance against, each benchmark set out in the treasury management strategy.	Chief Accountant (Capita)

reported within the annual outturn report. However the following two benchmarks do not appear to be addressed within the annual report:- • Maximum investment of daily balances (in-house) • Maintenance of a balanced portfolio <u>Risk</u> If the council does not set out performance against all agreed benchmarks then it may not be compliant with the CIPFA code.		
Management Response		**Implementation Date**
Recommendation is **Agreed in Principle** The 2017/2018 strategy approved by the joint audit and governance committee in January 2017, no longer includes these benchmarks. However, the 2016/2017 outturn report due in July 2017 will refer to any performance issues. Management response: Simon Hewings, Chief Accountant (Capita)		30 September 2017

Report Date: 07/03/2017 09:59:10
Joint AGC Overdue Recommendations Q4 2016/2017

Appendix 2

Executive summary

		SODC			VWHDC			Joint			Recs Total		Joint Comparison of Q3 2016/17 and Q4 2016/17			
Service Area	**Head of Service**	**Total Number of Open Recs**	**Number of Overdue Recs**	**% of Overdue Recs**	**Total Number of Open Recs**	**Number of Overdue Recs**	**% of Overdue Recs**	**Total Number of Open Recs**	**Number of Overdue Recs**	**% of Overdue Recs**	**Total Number of Open Recs**	**Number of Overdue Recs**	**Q3 2016/17 % of Overdue Recs**	**Q4 2016/17 % of Overdue Recs**	**% Change**	**Additional Notes**
Corporate Strategy and Leisure	Clare Kingston (Head of Corporate Strategy)	0	0	0%	0	0	0%	1	0	0%	1	0	0%	0%	0%	
Development and Housing	Gerry Brough (Acting Head of Development & Housing)	0	0	0%	0	0	0%	4	4	0%	4	4	0%	0%	0%	
Finance and Arts (including Cornerstone)	William Jacobs (Head of Finance)	17	5	29%	9	3	33%	47	2	4%	73	10	17%	14%	-3%	
HR, IT, Technical Services, Economy, Property and Corporate Policy	Andrew Down (Head of HR, IT & Technical Services)	2	0	0%	5	0	0%	17	0	0%	24	0	57%	0%	-57%	
Legal and Democratic	Margaret Reed (Head of Legal & Democratic Services)	2	0	0%	2	0	0%	6	3	50%	10	3	10%	30%	20%	
Planning	Adrian Duffield (Head of Planning)	1	0	0%	10	7	70%	13	9	69%	24	16	71%	67%	-4%	
Total recommendations Q4 2016/17		**22**	**5**		**26**	**10**		**88**	**18**		**136**	**33**				

Joint Summary of overdue recommendations (Excluding Private)

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
375	Elections & Election Payments	2016/2017	Margaret Reed (Head Of Legal And Democratic Services)	Steven Corrigan (Democratic Services Manager)	Schedule of fees check	A check of the town/parish council¿s schedule of election fees spreadsheet should be undertaken prior to the issue of invoices to ensure that the town/parish councils are	Medium	16/11/16	The recommendation has been implemented into the team's processes. Will advise audit when we have raised an invoice.	30/11/16	Not Implemented	28/02/17
376	Elections & Election Payments	2016/2017	Margaret Reed (Head Of Legal And Democratic Services)	Steven Corrigan (Democratic Services Manager)	Town/parish council invoices	A reconciliation should be undertaken between the town/parish councils¿ schedule of fees and the Agresso system to confirm that the correct amounts are invoiced to town/parish councils.	High	16/11/16			Not Implemented	28/02/17
379	Elections & Election Payments	2016/2017	Margaret Reed (Head Of Legal And Democratic Services)	Steven Corrigan (Democratic Services Manager)	Election calculation spreadsheets	The calculation spreadsheet should be independently checked, reviewed and signed off to confirm that the calculations and apportionment of cost to be recharged are	Medium	16/11/16	Recommendation included in procedure notes	30/11/16	Not Implemented	28/02/17
424	Review of Crowmarsh Fire September 2015	2015/2016	William Jacobs (Head Of Finance)	William Jacobs (Head Of Finance)	R7 - Emergency finance procedures	Corporate emergency finance procedures that can be implemented immediately during a BC incident should be documented and agreed. They should include the authorisation of emergency purchases, security of cash and assets, the drawing of funds and use of credit cards and the monitoring of expenditure.	Medium	31/12/16				
451	Project Management	2015/2016	Adrian Duffield (Head of Planning)	Sandra Wildern (Team Leader Building Control)	1. Project definition	A full review of both the projects register and inflight register should be undertaken, to ensure the listings are accurate and correct against the councils¿ definition of a project.	Low	31/07/16				
454	Project Management	2015/2016	Adrian Duffield (Head of Planning)	Sandra Wildern (Team Leader Building Control)	4. Project register	A review of the projects register is undertaken immediately, and the correct status of project and project managers recorded. Furthermore a system of regular reviews be introduced to ensure the currency is retained.	High	31/07/16				
455	Project Management	2015/2016	Adrian Duffield (Head of Planning)	Sandra Wildern (Team Leader Building Control)	5. Authorisation of projects	All current projects should be reviewed to ensure they have been correctly approved, and obtain retrospective approval if necessary.	High	31/07/16				
456	Project Management	2015/2016	Adrian Duffield (Head of Planning)	Sandra Wildern (Team Leader Building Control)	6. Review of projects	Recommendation All current projects should be reviewed to ensure they are subject to the appropriate	High	31/07/16				
457	Project Management	2015/2016	Adrian Duffield (Head of Planning)	Sandra Wildern (Team Leader Building Control)	7. Project documentation	All projects should have completed and comprehensive documentation to support it and to comply with the approved methodology.	Medium	31/07/16				
458	Project Management	2015/2016	Adrian Duffield (Head of Planning)	Sandra Wildern (Team Leader Building Control)	8. Project terms of reference	1)Amend the guidance in the toolkit to include the requirement for project boards to have complete ToR, containing the following	High	31/07/16				
459	Project Management	2015/2016	Adrian Duffield (Head of Planning)	Sandra Wildern (Team Leader Building Control)	9. Project compliance with methodology	1)All current projects should be reviewed to ensure they are compliant with the methodology. 2)A system of regular checks should be introduced to ensure ongoing compliance and	Medium	31/07/16				
460	Project Management	2015/2016	Adrian Duffield (Head of Planning)	Sandra Wildern (Team Leader Building Control)	10. Monitoring and reporting	1)All current projects should be monitored throughout the project to ensure they are compliant with the methodology. 2)A system of regular checks should be introduced to ensure ongoing monitoring and	Medium	31/07/16				
516	Building Control	2016/2017	Adrian Duffield (Head of Planning)	Sandra Wildern (Team Leader Building Control)	Personal protective equipment risk assessment	A personal protective equipment risk assessment form should be completed to ensure that the surveyors have the appropriate	High	31/01/17				
523	Sundry Debtors	2016/2017	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	Cleansing exercise on Agresso System	A cleansing exercise should be undertaken to match the debts off both the NW and WO complaint codes that have been written off the	Medium	28/02/17				

SODC Summary of overdue recommendations (Excluding Private)

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
24	Petty Cash	2014/2015	William Jacobs (Head Of Finance)	Ben Watson (Finance & Systems Manager)	5. Petty Cash Replenishment Process	The request to replenish petty cash should be processed within creditors using a separate control account requiring a single coding and routing to an agreed officer for authorisation. Journal transfers would then be needed to code	Medium	31/01/15	Not a priority at present. revised implementation date changed to July 2016 FK Update 17/6/16	17/06/16	Not Implemented	31/07/16
55	Inter-council Recharges	2013/2014	William Jacobs (Head Of Finance)	Ben Watson (Finance & Systems Manager)	1. Policies and procedures	(a) Establish policy and procedures on when joint purchases is allowed and what inter-council recharges should then be made. (b) Incorporate good practice guides in recharges guidance (e.g. use of time allocation sheets). (c) Incorporate a section on key issues in recharges guidance (e.g. transferring items, low value purchases).	High	31/03/14	This is now being reviewed following the move to one office. This will be implemented prior to the 2015/16 budget setting process. This will be completed by 31 October 2014. Update (8/6/15) Due to staffing issues and the recent fire, the accountancy team have been divereted to other priorities and this remains an aspiration. I would still not regard this as high risk.	08/06/15	Not Implemented	31/10/15
197	Receipt of Income Arrangements	2015/2016	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	Receipt of Income Procedures	Clear procedures for all areas of the council regarding the receiving of income, including unallocated income, need to be developed, approved, regularly reviewed, monitored, and evidenced with a named individual or role responsible for procedures in each service area and for updating intranet guidance.	Medium	30/09/15	Still agreed but will not be concluded by due date - competing priorities 13 Jan 2017. This will now need to be closed down (or at the very least postponed) as a consequence of the 5 Councils contract. Capita will be changing both the financial management and cash receipting systems and we will have Vinci as well as retained service areas (and Capita) responsible for the collection of income. At the time of writing this, Capita and Vinci are in dialogue over the arrangements for billing and collecting from mobile home parks, HAW and property. I would therefore suggest that this recommendation is closed down and a further audit review is taken when all these changes are completed. In fact, due the risks these changes bring, I would suggest that Audit takes an active involvement in the change processes.	13/01/17	Not Implemented	
243	Cash Office	2015/2016	William Jacobs (Head Of Finance)	Ben Watson (Finance & Systems Manager)	Access to Civica Icon	A review of access to the Civica Icon system should be undertaken to ensure that only current and appropriate staff have access to the	Medium	31/03/16		13/06/16	Not Implemented	01/07/16
527	Cornerstone	2016/2017	William Jacobs (Head Of Finance)	Darren Walter (Arts Centre Director)	2. Roles and Responsibilities ¿ job descriptions	The arts manager and the operations manager job descriptions need to be updated to reflect the new roles and responsibilities due to the	Medium	31/01/17				

VWHDC Summary of overdue recommendations (Excluding Private)

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
118	Inter-council Recharges	2013/2014	William Jacobs (Head Of Finance)	Bob Watson (Accountancy Manager (Technical))	1. Policies and procedures	(a) Establish policy and procedures on when joint purchases is allowed and what inter-council recharges should then be made. (b) Incorporate good practice guides in recharges guidance (e.g. use of time allocation sheets). (c) Incorporate a section on key issues in recharges guidance (e.g. transferring items, low value purchases).	High	31/03/14	This is now being reviewed following the move to one office. This will be implemented prior to the 2015/16 budget setting process. This will be completed by 31 October 2014. Not yet had the opportunity to review policy and guidance (although FPR have been updated). Still do not consider this high risk and would appreciate if the rationale for this decision to assess it so could be explained. As above and due to higher priority issues and limited resources this has yet to be implemented.	08/06/15	Not Implemented	30/10/15
183	Receipt of Income Arrangements	2015/2016	William Jacobs (Head Of Finance)	Paul Howden (Revenues & Benefits Client Manager)	Receipt of Income Procedures	Clear procedures for all areas of the council regarding the receiving of income, including unallocated income, need to be developed, approved, regularly reviewed, monitored, and evidenced with a named individual or role responsible for procedures in each service area and for updating intranet guidance.	Medium	30/09/15	Still agreed but will not be completed by due date - competing priorities Still agreed but will not be concluded by due date - competing priorities 13 Jan 2017. This will now need to be closed down (or at the very least postponed) as a consequence of the 5 Councils contract. Capita will be changing both the financial management and cash receipting systems and we will have Vinci as well as retained service areas (and Capita) responsible for the collection of income. At the time of writing this, Capita and Vinci are in dialogue over the arrangements for billing and collecting from mobile home parks, HAW and property. I would therefore suggest that this recommendation is closed down and a further audit review is taken when all these changes are completed. In fact, due the risks these changes bring, I would suggest that Audit takes an active involvement in the change processes.	13/01/17	Not Implemented	
239	Cash Office	2015/2016	William Jacobs (Head Of Finance)	Ben Watson (Finance & Systems Manager)	Civica access	A review of access to the Civica Icon system should be undertaken to ensure that only current and appropriate staff have access to the system	Medium	31/03/16			Not Implemented	
486	West Way Botley	2016/2017	Adrian Duffield (Head of Planning)	Andrew Maxted (Senior Planning Policy Officer)	2. Planning consultation methodology	All planning consultations should be supported by comprehensive procedures and have an officer methodology statement to support the analysis of consultation responses. This should document officer responsibilities for the end to end consultation process, and clearly specify the methodology for analysing, categorising and recording consultation responses.	High	31/12/16	The methodology for processing consultation responses is considered robust in relation to the Vale Local Plan as evidenced by the Planning Inspector's Final Report finding the plan sound (including consideration of compliance with all legal and policy requirements - including appropriate handling of consultation stages). The Local Plan was adopted in December 2016. The approach for handling consultation processing for other policy documents will be consistent with that followed for the Local Plan. This will ensure a consistent and robust approach is used.	13/01/17	To be verified in audit follow up	
489	West Way Botley	2016/2017	Adrian Duffield (Head of Planning)	Andrew Maxted (Senior Planning Policy Officer)	5. Captured responses - completeness and accuracy	There should be independent review and quality checks to ensure consultation responses are fully and accurately captured within the consultation database.	High	31/12/16	The process for managing consultation processing associated with the Local Plan is considered robust, as evidenced by the Planning Inspectors Final Report - published in December 2016 confirming the plan is sound. The plan was adopted in December 2016.	13/01/17	To be verified in audit follow up	
490	West Way Botley	2016/2017	Adrian Duffield (Head of Planning)	Duncan Grainge (Customer Service Manager)	6. Scanned documents	Scanned images of consultation response documentation must be checked to ensure they are complete.	Low	31/10/16				
491	West Way Botley	2016/2017	Adrian Duffield (Head of Planning)	Andrew Maxted (Senior Planning Policy Officer)	7. Free text responses	a) Where there is a free text response rather than an agreed/disagreed answer, this should not be represented as a ¿no response¿. b) The stated count and/or percentages of responses should use only those respondents that did provide an answer to the agreed/disagreed sections as there is already an option for ¿don¿t know/no opinion¿. Hence each comment may have a different total for the number of responses.	Medium	31/10/16	A Consultation Statement is prepared for Local Plan Consultation stages which clearly identifies how each comment has been considered and informed the plan making process. This statement forms part of the Council's submission to the Secretary of State and is scrutinised through Examination. On this basis the approach is considered to be robust. Moving forward this approach will be adopted for all policy documents, including SPD's.	01/11/16	To be verified in audit follow up	

492	West Way Botley	2016/2017	Adrian Duffield (Head of Planning)	Andrew Maxted (Senior Planning Policy Officer)	8. Scope of consultation questions	All sections and options presented within a policy/report which is being consulted upon, should be reflected in the direct questions within a consultation.	Medium	31/10/16	A standard approach is adopted for developing consultation questions for Local Plan consultations, which includes questions on all aspects of the Plan (e.g. by chapter/ policy etc) and includes more generic questions on the 'tests of soundness' which relate to those aspects of plan preparation that will be tested by an independent Planning Inspector. Moving forward, this approach will be adopted for all policy documents including SPD's.	01/11/16	To be verified in audit follow up	
493	West Way Botley	2016/2017	Adrian Duffield (Head of Planning)	Andrew Maxted (Senior Planning Policy Officer)	9. Statistical analysis - independent review	There should be an independent review of stated statistics within a consultation report, including free text analysis/summary, or more than one officer undertaking the analysis, to ascertain if similar conclusions could be drawn and/or validate the reported data analysis.	High	31/10/16	Consultation Statements prepared to support preparation of the Local Plan will always be subject to internal quality control/ peer review as the document forms part of the evidence submitted to the Secretary of State and subject to independent review at Examination. This approach will be adopted for all policy documents including SPD's.	01/11/16	To be verified in audit follow up	
494	West Way Botley	2016/2017	Adrian Duffield (Head of Planning)	Andrew Maxted (Senior Planning Policy Officer)	11. Definitions and explanations	Consultation questions and documents for consultation should use clear and transparent language and terms with definitions or explanations where necessary.	Medium	31/10/16	The importance of using plain language in consultation material is understood, although this sometimes needs to be balanced by the need for documents to comply with national policy, guidance and legislative requirements and be capable of scrutiny by an Independent Planning Inspector, where these requirements are demonstrably met. However, supporting documents will often by published alongside formal planning documents to help explain technical processes in more detail and in an accessible and easy to understand style. These often take the form of 'Topic Papers' and prove helpful to Planning Inspector's as well as members of the public. It is suggested that this approach is adopted for all policy documents including SPD's.	01/11/16	To be verified in audit follow up	

Audit and Governance Committee

Report of Assurance Manager

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To: Audit and Governance Committee

DATE: 20 March 2017

Internal audit management report quarter four 2016/2017

Recommendation

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 2016/2017 audit plan up to 8 March 2017; and
- to summarise the priorities for quarter one 2017/2018.

2. The contact officer for this report is Adrianna Partridge, Assurance Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone 01235 422485.

Strategic objectives

3. Running an efficient council.

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 joint committee approved the 2016/2017 annual internal audit plan on 21 March 2016.

Management issues

6. An interim auditor (0.6FTE) has joined the internal audit team for a minimum period of 2 months to address the current resource strain, as a result of 5 councils partnership work, investigation work and unplanned sickness leave. This requirement will continue to be monitored by the assurance manager.

Progress against the 2016/2017 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.

   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%	74%	72%	75.5%	69.5%	71.5%
Non-Chargeable (corporate, not IA deliverable)	8%	5%	7%	5%	3.5%	5.5%
Planned Lost (i.e. leave)	16%	16%	20%	18%	21%	4.5%
Unplanned Lost (i.e. study, sickness)	2%	5%	1 %	1.5%	6%	19%

8. As at 8 March 2017 the status of audit work against the 2016/2017 audit plan is as follows:

   Planned

   Strategic, operational and financial assurance work known and approved by the audit and governance committee.

2016/2017	Planned	Complete	Draft	In progress	To commence
PLANNED	**28**	**14**	**1**	**7**	**6**
Joint	25	13	1	7	1 (3 CF1718)
SODC	3	1	0	0	0 (2CF1718)

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).

2016/2017	Requested	Complete	Draft	In progress	To commence
ADHOC	**9**	**4**	**1**	**3**	**1**
Joint	5	1	0	4	0
SODC	0	0	0	0	0
VWHDC	5	3	1	0	1

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.

2016/2017	Requested	Complete	Draft	In progress	To commence
FOLLOW-UP	**22**	**17**	**0**	**1**	**4**
Joint	22	17	0	1	4
SODC	0	0	0	0	0
VWHDC	0	0	0	0	0

Priorities for 2017/2018 quarter one (April 2017 – June 2017)

9. The priorities for quarter four are to:

- complete 2016/2017 audits in progress at year end;
- commence 2017/2018 planned audit work;
- review and update all internal audit procedures and working templates.

10. Remaining 2016/2017 planned audit work can be reviewed in **appendix 2**.

Financial implications

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

Legal implications

12. None.

Risk implications

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

ADRIANNA PARTRIDGE
ASSURANCE MANAGER

PLANNED AUDIT 2016/2017

APPENDIX 1

System Name As at 8 March 2017	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
JOINT - Part 1													
Payroll (29 priority score)	**In progress**	36											
SODC			21.0										
VWHDC			21.0										
General Ledger (26)	**Draft out**	20											
SODC			6.5										
VWHDC			6.5										
Procurement (CSP) (25)	**Completed**	20											
SODC			11.5		**Substantial**	**2**	0	0	1	1	1	1	**0**
VWHDC			11.5		**Substantial**	**2**	0	0	1	1	1	1	**0**
Council Tax (24)	**In progress**	20											
SODC			8.0										
VWHDC			8.0										
Creditor Payments (24)	**Completed**	20											
SODC			9.0		**Limited**	**10**	3	3	5	5	2	2	**0**
VWHDC			9.0		**Limited**	**10**	3	3	5	5	2	2	**0**
Pro-active Anti-Fraud Review (23)	**In progress**	20											
SODC			6.0										
VWHDC			6.0										
Capital Management and Accounting (23)	**In progress**	14											
SODC			5.0										
VWHDC			5.0										
Housing Benefits and CTRS (22)	**In progress**	30											
SODC			4.0										
VWHDC			4.0										
Sundry Debtors (22)	**Completed**	20											
SODC			9.0		**Satisfactory**	**3**	0	0	2	2	1	1	**0**
VWHDC			9.0		**Satisfactory**	**3**	0	0	2	2	1	1	**0**
NNDR (20)	**In progress**	20											
SODC			0.0										
VWHDC			0.0										
Treasury Management (18)	**Completed**	14											
SODC			8.5		**Limited**	**5**	2	2	3	3	0	0	**0**
VWHDC			8.5		**Limited**	**5**	2	2	3	3	0	0	**0**

JOINT - Part 2													
Risk Management (28)	**Completed**	14											
SODC			7.0		**Limited**	**14**	8	8	4	4	2	2	**0**
VWHDC			7.0		**Limited**	**14**	8	8	4	4	2	2	**0**
Community Infrastructure Levy (25)	**Completed**	12											
SODC			5.0		**Full**	**1**	0	0	0	0	1	1	**0**
VWHDC			5.0		**Not yet applicable**								
Training and Development (22)	**Completed**	12											
SODC			5.0		**Satisfactory**	**1**	1	1	0	0	0	0	**0**
VWHDC			5.0		**Satisfactory**	**1**	1	1	0	0	0	0	**0**
Building Control (22)	**Completed**	20											
SODC			9.5		**Limited**	**6**	2	2	3	2	1	1	**1**
VWHDC			9.5		**Limited**	**6**	2	2	3	2	1	1	**1**
Health and Safety (20)	**Completed**	20											
SODC			7.0		**Satisfactory**	**4**	0	0	3	3	1	1	**0**
VWHDC			7.0		**Satisfactory**	**4**	0	0	3	3	1	1	**0**
Gifts and Hospitality (20)	**Completed**	10											
SODC			5.0		**Substantial**	**1**	0	0	1	1	0	0	**0**
VWHDC			5.0		**Substantial**	**1**	0	0	1	1	0	0	**0**
Performance Management (20)	**TOR sent**	16											
SODC			0.0										
VWHDC			0.0										
Facilities Management (20)	**Completed**	20											
SODC			10.0		**Limited**	**3**	1	1	0	0	2	0	**2**
VWHDC			10.0		**Limited**	**3**	1	1	0	0	2	0	**2**
Lone Working and Officer Security (20)	Carry forward 17/18	14											
SODC			0.0										
VWHDC			0.0										
Comments and Complaints Process (20)	**Completed**	16											
SODC			4.5		**Satisfactory**	**5**	0	0	4	4	1	1	**0**
VWHDC			4.5		**Satisfactory**	**5**	0	0	4	4	1	1	**0**
Environmental Protection (20)	**In progress**	20											
SODC			2.5										
VWHDC			2.5										
Information Governance (15)	Carry forward 17/18	20											
SODC			0.0										
VWHDC			0.0										
Tree Management and Inspections (15)	Carry forward 17/18	20											
SODC			0.0										
VWHDC			0.0										
Safeguarding Children, Young People and Vulnerable Adults (16)	**Completed**	12											
SODC			6.0		**Substantial**	**3**	0	0	1	1	2	2	**0**
VWHDC			6.0		**Substantial**	**3**	0	0	1	1	2	2	**0**

SODC													
Cornerstone (21)	**Completed**	10	10.0		**Limited**	**5**	1	1	3	3	1	1	**0**
Leader Project Assurance (17)	Carry forward 17/18	10	0.0										
Leader Project Grant Verification (10)	N/A	5	0.0	No grants administered in Oct 2016 DEFRA period.									
IA PLANNED AUDIT TOTALS	**-**	**485**	**310**	**Full** **Substantial** **Satisfactory** **Limited** **Nil**	**1** **6** **8** **11** **0**	**120**	35	35	57	55	28	24	6
SODC PLANNED AUDIT TOTALS	**-**	**268**	**160.0**	**Full** **Substantial** **Satisfactory** **Limited** **Nil**	**1** **2** **4** **5** **0**	**63**	18	18	30	29	15	13	3
VWHDC PLANNED AUDIT TOTALS	**-**	**263**	**138.5**	**Full** **Substantial** **Satisfactory** **Limited** **Nil**	**0** **2** **4** **5** **0**	**57**	17	17	27	26	13	11	3

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	No longer applicable
SODC								
Waste Management & Recycling 1516	1	**Substantial**	**3**	1	1	1	0	0
Receipt of Income 1516	0.25	**Satisfactory**	**6**	5	1	0	0	0
Development Management 1516	0.25	**Satisfactory**	**3**	3	0	0	0	0
Licensing 1516	0.5	**Satisfactory**	**6**	6	0	0	0	0
Cash Office 1516	0.5	**Limited**	**4**	3	0	1	0	0
VWHDC								
Waste Management & Recycling 1516	0.5	**Substantial**	**3**	1	1	1	0	0
Receipt of Income 1516	0.25	**Satisfactory**	**6**	5	1	0	0	0
Development Management 1516	0.25	**Satisfactory**	**3**	3	0	0	0	0
Licensing 1516	1	**Satisfactory**	**4**	4	0	0	0	0
Cash Office 1516	0.5	**Limited**	**5**	4	0	1	0	0
JOINT								
Partnership Performance Monitoring 1516	0.25	**Limited**	**4**	0	0	4	0	0
Leisure Centres 1516	1	**Satisfactory**	**11**	11	0	0	0	0
Consultation (Public and Staff) 1516	2	**Substantial**	**3**	1	2	0	0	0
Neighbourhood Planning Grants 1516	1	**Limited**	**5**	5	0	0	0	0
Elections and Election Payments 1516	1	**Limited**	**7**	1	0	6	0	0
ICT 1516	1	**Satisfactory**	**8**	3	0	2	1	2
HR Management 1516	0.5	**Satisfactory**	**5**	2	0	3	0	0
Insurance 1516	0.5	**Limited**	**18**	11	5	0	1	1

FOLLOW UP AUDITS 2016/2017

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing	No longer applicable
JOINT								
Gifts and Hospitality 1617	1	**Substantial**	**1**	1	0	0	0	0
Risk Management 1617	1	**Limited**	**14**	0	2	3	9	0
Facilities Management 1617	0.5	**Limited**	**3**	1	0	0	0	2
Safeguarding Children, Young People and Vulnerable Adults 1617	0.5	**Substantial**	**3**	1	0	2	0	0
SODC								
None								
VWHDC								

IA FOLLOW UP DURING 16/17 TOTALS	15.25		109	60	8	27	10	4
JOINT FOLLOW UP 16/17 TOTALS	9.25		59	24	4	17	10	4
SODC FOLLOW UP 16/17 TOTALS	2.50		22	18	2	2	0	0
VWHDC FOLLOW UP 16/17 TOTALS	2.50		21	17	2	2	0	0

UNPLANNED WORK 2016/2017

CONSULTANCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
5 Councils Partnership	In Progress	As required	30.5	Chief Executive
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				
MOT and Business Insurance Spotcheck	Completed	2	2	Assurance Manager
Urgent Key Decisions	In Progress	3	N/A	Chief Executive
5CP	In Progress	As required	34	Section 151
Investigation Templates	In Progress	10	5	Assurance Manager
Officer Investigation	In Progress	As required	As required	Chief Executive
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
West Way Botley	Completed	15	40.5	Councillor
TA Refurbishment	Completed	4	3.5	Head of Legal and Democratic Services
TA Refurbishment Follow Up	Completed	1	0.5	Head of Legal and Democratic Services
East Challow S106	Draft out	4	3	Chief Executive
West Way Botley Follow Up	To commence Q4	1	0	Councillor

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

AUDIT PLAN SCHEDULE 2016/2017 (As at 8 March 2017)

Appendix 2

PLANNED AUDITS

	PRIORITY	April					May				June					July					August				September					October				November					December				January				February				March				
JOINT - PART 1		1	2	3	4	5	1	2	3	4	1	2	3	4	5		1	2	3	4	1	2	3	4	1	2	3	4	5	1	2	3	4	1	2	3	4	5	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	5
Payroll	29																																																							
General Ledger	26																																																							
Procurement (CSP)	25																																																							
Council Tax	24																																																							
Creditor Payments	24																																																							
Pro-active Anti-Fraud Review	23																																																							
Capital Management & Accounting	23																																																							
Housing Benefits & CTRS	22																																																							
Sundry Debtors	22																																																							
NNDR	20																																																							
Treasury Management	18																																																							
JOINT - PART 2																																																								
Risk Management	28																																																							
Community Infrastucture Levy	25																																																							
Training and Development	22															AGC													AGC														AGC										AGC			
Building Control	22																																																							
Health and Safety	20																																																							
Gifts and Hospitality	20																																																							
Performance Management	20																																																							
Facilities Management	20																																																							
Lone Working and Officer Security	20																																																							
Comments and Complaints Process	20																																																							
Environmental Protection	20																																																							
Information Governance	15																																																							
Tree Management and Inspections	15																																																							
Safeguarding Children, Young People and Vulnerable Adults	14																																																							
SODC																																																								
Cornerstone	21																																																							
Leader Project Assurance	17																																																							
Leader Project Grant Verification	11																																																							

FOLLOW UP AUDITS

	PRIORITY	April					May				June					July					August				September					October				November					December				January				February				March				
JOINT		1	2	3	4	5	1	2	3	4	1	2	3	4	5		1	2	3	5	1	2	3	4	1	2	3	4	5	1	2	3	4	1	2	3	4	5	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	5
Waste Management																																																								
Receipt of Income Arrangements																																																								
Development Management																																																								
Licensing																																																								
Cash Office																																																								
Consultation																																																								
Partnership Performance Management																																																								
Leisure																																																								
Neighbourhood Planning Grants																																																								
Project Management																																																								
Elections & Election Payments																																																								
ICT																																																								
HR Recruitment																																																								
HR Management																																																								
Insurance																																																								
Gifts and Hospitality																																																								
Risk Management																																																								
Comments and Complaints																																																								
Facilities Management																																																								
Health and Safety																																																								
Training and Development																																																								
Safeguarding																																																								
SODC																																																								
None																																																								
VWHDC																																																								
None																																																								

UNPLANNED AUDITS

	PRIORITY	April					May				June					July					August				September					October				November					December				January				February				March				
JOINT		1	2	3	4	5	1	2	3	4	1	2	3	4	5		1	2	3	5	1	2	3	4	1	2	3	4	5	1	2	3	4	1	2	3	4	5	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	5
Spotcheck of MOT and Business Insurance																																																								
Urgent Key Decisions																																																								
Investigation Templates																																																								
5CP																																																								
Officer Investigation																																																								
SODC																																																								
None																																																								
VWHDC																																																								
West Way																																																								
West Way follow up																																																								
S106 East Challow																																																								
Temporary Accommodation Refurbishment																																																								
Temporary Accommodation Refurbishment follow up																																																								

Key

- **Projected Start Date**
- **In Progress**
- **Draft Issued**
- **Complete**

Audit and Governance Committee

Report of Assurance Manager

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To: Audit and Governance Committee

DATE: 20 March 2017

Internal audit annual plan 2017/2018

Recommendation

That members approve the internal audit annual plan 2017/2018

Purpose of Report

1. The purpose of this report is:

   - to explain the process for setting the internal audit plan and for calculating the resources available; and
   - to set out the proposed internal audit annual plan for 2017/2018.

2. The contact officer for this report is Adrianna Partridge, Assurance Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone 01235 422485.

Strategic Objectives

3. Running an efficient council.

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.

Audit Allocation

6. The resources available to deliver the internal audit annual plan 2017/2018 are arrived at by starting with the number of days available for all internal audit posts (including 0.4FTE from the assurance manager) within the team. This is then reduced by the estimated numbers of days lost through annual leave, bank holidays (planned) and sickness absence (unplanned). The remaining days available are then allocated between the various elements of work which are expected to be carried out in the year in order to deliver an effective internal audit service.

7. The calculation of days available and the allocation of days between different categories of work is attached as **appendix 1**. The different categories of work are classed as either chargeable or non-chargeable. Chargeable means the work has an identifiable client or is directly linked to the delivery of internal audit services. Non-chargeable means any other work which is not directly linked to the delivery of internal audit services (for example: admin, corporate responsibilities, training, staff briefings).

Schedule of Auditable Activity (SAA)

8. The SAA attached as **appendix 2** lists every audit which has been completed at both or either South Oxfordshire District Council and the Vale of White Horse District Councils since 2000. Each audit has been rated by the head of finance (section 151 officer) and assurance manager on a number of key factors to give a priority score, and this assists in the assessment of what should be placed in the annual audit plan. Although scoring is subjective and no two people would score alike the process attempts to introduce a degree of objectivity into the assessment process. The key at the bottom of the spreadsheet explains the scoring and provides risk definitions.

9. The SAA is only one contributing factor to determining the annual audit plan, as external audit, the section 151 officer, internal audit and senior management will also make an assessment on the level of risk exposure and audit coverage across the council. In addition, service managers may request that a function within their area of responsibility is reviewed as part of the audit plan.

Internal Audit Annual Plan 2017/2018

11. The internal audit annual plan is designed and constructed in such a way to enable the assurance manager to form an opinion on the adequacy of each council's control environment. This opinion forms an important independent view of each council's operations that feeds into and supports each council's annual governance statement.

12. The proposed internal audit plan 2017/2018 is attached as **appendix 3**. Any amendments to the annual plan throughout the year will be submitted to the committee for approval.

13. External audit looks to place reliance upon internal audit's work to limit its own coverage. This arrangement is dependent upon the significant financial systems being examined each year (for example, council tax, payroll) to provide assurance as to their continuing controlled operation. To avoid any unnecessary duplication of effort between the two parties, internal audit and external audit have an established on-going communication mechanism to ensure that respective plans and scope of reviews are shared.

14. The plan is based on the schedule of auditable activity and external and internal audit's own assessment on levels of risk exposure and coverage of auditable areas in recent years. These audits will be scheduled and completed throughout the year. Any changes to the work programme through the year will be reported to committee.

15. It should be noted that not all aspects within a specific area are necessarily examined at each audit. Actual coverage is decided at the time of the audit in consultation with senior managers. This ensures that current issues together with recent coverage by internal audit or external bodies determine the scope of the work.

Financial Implications

16. The audit plan can be delivered from within the approved 2017/18 budget, therefore there are no financial implications attached to this report.

Legal Implications

17. None

Risk Implications

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

ADRIANNA PARTRIDGE
ASSURANCE MANAGER

Audit Allocation 2017/2018 **APPENDIX 1**

DESCRIPTION (Analysis of Description Overleaf)	**DAYS 2016/2017**	**DAYS 2017/2018**
Total Days Available for Internal Audit Team	**901**	**884**
52x5x3 - Auditor x 3FTE	795	780
52x5x0.4 - Assurance Manager 0.8FTE (0.4 IA resource)	106	104
Total Lost Days for Internal Audit Team (pro-rata AM)	**172**	**148**
Annual Leave Entitlement (planned)	88	90
Bank Holiday and Christmas Closure (planned)	35	41
Sick Leave (unplanned)	17	17
Study Leave	32	0
Total Non-Chargeable Days for Internal Audit Team	**70**	**59**
Training and Development	14	12
Admin/Corporate Issues	40	35
Corporate/Team Meetings	16	12
Total Chargeable Days for Internal Audit Team	**659**	**677**
Audit Management	74	70
Ad hoc Audit Advice (4 days each service area)	28	24
Consultancy/System Development (2 days each service area)	14	12
Contingency (Investigations) (5 days each service area)	35	30
Follow Up Work 2016/2017	6	10
Follow Up Work 2017/2018	5	10
Town and Parish Councils	12	19
5 Councils Partnership	*(Actual 34)*	40
Audit Plan 2017/2018	485	462
Total Lost + Non-Chargeable and Chargeable Days	**901**	**884**
Proportion of Chargeable Days	**74%**	**76%**
Proportion of Non-Chargeable Days	**8%**	**7%**
Proportion of Lost Days	**18%**	**17%**

Analysis of description

Lost days
- Annual leave entitlement and any carry forward from previous year.
- Bank holiday and Christmas closure (12 days per person for 16/17)
- Sick leave (estimate of 5 days per person)

Training and development
- In-house corporate training (IT, new systems, HR training programme)
- External role related training (management, fraud, audit)
- Study for professional qualifications

Administration and corporate issues
- Appraisals
- Progress and 1-2-1 meetings
- Filing
- Timekeeping (timesheets, time allocation, individual work plans)
- Staff briefings
- E-mails/correspondence
- Recruitment

Team meetings
- Internal audit, finance managers, operational managers group, directorate, portfolio.

Audit management
- Preparation and attendance at committee
- Revision of audit procedures
- Quality assurance
- Liaising with external audit
- Raising the profile of internal audit
- Attendance at corporate internal and external networking meetings
- Internal audit presence on the website and intranet at both sites
- Preparation and monitoring of the audit plan
- Budgetary control
- Delivery of training
- Performance management
- Recommendations database
- Corporate fraud

Ad hoc audit advice
- Informal responsive advice to queries from staff members

Consultancy/system development
- Formal project work based on agreed terms of reference (i.e. project member for implementation of new systems, system mapping, delivery of training to members and staff).

Contingency/investigations
- Responsive work issued and agreed by the S151 officer, audit and corporate governance committees, members or management team.

Town and parish councils

- Provision of internal audit services to town and parish councils.

5 Councils Partnership

- Review of workstream transitions and control environment assurance.

SERVICE AREA	SERVICE TEAM	AUDIT AREA	SODC/ VWHDC/JOINT	LAST PRIORITY RATING	SODC AUDIT ALLOCATION	VWHDC AUDIT ALLOCATION	LAST REVIEWED	REVIEW SCORE	SODC LAST AUDIT RATING	RATING SCORE	VWHDC LAST AUDIT RATING	RATING SCORE	FINANCIAL RISK X 2	FRAUD RISK X 2	REPUTATIONAL RISK	LEGAL RISK	CORPORATE RISK	OFFICER REQUEST	PRIORITY SCORE	2017/2018 cumulative	AUDIT PLANNING NOTES
5CP	Capita - HR & Payroll	Payroll	Joint	29	18	18	2015/2016	1	Limited	3	Limited	3	3	3	3	3	3	1	29	36	KFS
5CP	Capita - Finance & Procurement	Creditor Payments	Joint	24	10	10	2015/2016	1	Limited	3	Limited	3	3	3	3	2	2	1	27	56	KFS
Finance	Assurance	Risk Management	Joint	28	7	7	2016/2017	0	Limited	3	Limited	3	3	3	3	3	3	0	27		2016/2017 audit
Finance	Assurance	Insurance	Joint	24	10	10	2015/2016	1	Limited	3	Limited	3	3	2	3	3	3	0	26		Followed up 16/17
5CP	Capita - Finance & Procurement	Procurement	Joint	25	10	10	2015/2016	1	Limited	3	Limited	3	3	3	3	2	2	0	26		2016/2017 audit CSP
5CP	Capita - Finance & Procurement	Sundry Debtors	Joint	22	10	10	2015/2016	1	Satisfactory	2	Satisfactory	2	3	3	2	2	2	1	24	76	KFS
5CP	Capita - Revenue & Benefits	Council Tax	Joint	24	10	10	2015/2016	1	Substantial	1	Substantial	1	3	3	3	2	2	1	23	96	KFS
5CP	Capita - Customer Services, Licensing & Land Charges	Cash Office	Joint	22	8	8	2015/2016	1	Limited	3	Limited	3	3	3	2	0	2	0	23		Followed up 16/17
Planning	Planning Policy	Neighbourhood Planning Grants	Joint	21	5	5	2015/2016	1	Limited	3	Limited	3	3	2	2	1	2	0	22		Followed up 16/17
5CP	Capita - Finance & Procurement	General Ledger	Joint	26	10	10	2015/2016	1	Substantial	1	Substantial	1	3	3	2	1	3	1	22	116	KFS
Finance	Assurance	Business Continuity	Joint	21	10	10	2015/2016	1	Limited	3	Limted	3	3	1	3	1	3	0	22		Assurance Manager undertook full review 2015/2016 following Crowmarsh fire. Recommedations in progress, due follow up 17/18
5CP	Capita - Revenue & Benefits	Housing Benefits & Council Tax Reduction Scheme	Joint	22	15	15	2015/2016	1	Full	0	Full	0	3	3	3	2	3	1	22	146	KFS
HR, IT & Customer Services	Policy & Partnership	Data Protection	Joint	21	8	8	2012/2013	4	Satisfactory	2	Satisfactory	2	2	1	3	3	2	0	22	162	New legislation coming in - need to align control environment
Corporate Strategy	Leisure	Leisure Centres	Joint	20	15	15	2015/2016	1	Satisfactory	2	Satisfactory	2	3	1	3	2	2	1	21		Followed up 16/17
5CP	Capita - Finance & Procurement	Capital Management & Accounting	Joint	23	7	7	2015/2016	1	Satisfactory	2	Satisfactory	2	3	2	2	1	2	1	21	176	KFS
HR, IT & Customer Services	Policy & Partnership	Performance Management	Joint	20	8	8	2008/2009	8	Satisfactory	2	Satisfactory	2	2	0	2	1	2	0	21		2016/2017 audit
HR, IT & Customer Services	Policy & Partnership	Lone Working/ Officer Security	Joint	20	7	7	2013/2014	3	Satisfactory	2	Satisfactory	2	2	1	3	2	3	0	21	190	Cfwd from 2016/17
Corporate Strategy	Environmental Protection	Environmental Protection	Joint	20	10	10	2007/2008	9	N/A	0	Satisfactory	2	2	0	3	2	1	0	21		2016/2017 audit
5CP	Capita - Revenue & Benefits	NNDR	Joint	20	10	10	2015/2016	1	Full	0	Full	0	3	3	3	2	2	1	21	210	KFS
5CP	Capita - Finance & Procurement	Treasury Management	Joint	18	7	7	2015/2016	1	Substantial	1	Substantial	1	3	2	2	2	2	1	20	224	KFS
Finance	Finance	Pro-Active Anti-Fraud Review	Joint	23	7	7	2015/2016	1	Full	0	Full	0	3	3	3	1	2	1	20	238	KFS
5CP	Capita - IT	ICT	Joint	25	10	10	2015/2016	1	Satisfactory	2	Satisfactory	2	2	2	3	1	3	0	20		Followed up 16/17
5CP	Capita - Customer Services, Licensing & Land Charges	Licensing	Joint	19	10	10	2015/2016	1	Satisfactory	2	Satisfactory	2	2	2	3	3	1	0	20	258	
Finance	Finance	Receipt of Income Arrangements	Joint	19	10	10	2015/2016	1	Satisfactory	2	Satisfactory	2	3	2	2	0	2	1	20		Followed up 16/17
5CP	Capita - Finance & Procurement	Credit Card Usage	Joint	19	4	4	2013/2014	3	Satisfactory	2	Satisfactory	2	2	3	1	1	1	0	20	266	
5CP	Capita - IT	Disaster Recovery	Joint	19	10	10	2013/2014	3	Satisfactory	2	Satisfactory	2	3	0	3	1	3	0	20		DR being reviewed and revised as part of 5CP
Finance	Finance	Council Fees and Charges	Joint	19	10	10	2013/2014	3	Limited	3	Limited	3	2	1	2	1	2	0	20		Covered in 16/17 individual reviews
Legal & Democratic Services	Democratic Services	Anti-Fraud & Corruption Policies	Joint	19	8	8	2014/2015	2	Limited	3	Limited	3	1	3	2	1	1	0	20		AFC framework recently updated and relaunched
Planning	Building Control	Building Control	Joint	22	10	10	2016/2017	0	Limited	3	Limited	3	2	2	3	1	2	0	20		2016/2017 audit
Planning	Development	S106 Commuted Sums / CIL	Joint	25	6	6	2016/2017	0	Full	0	Limited	3	3	2	3	2	2	0	20		2016/2017 audit (CIL) SODC was full, VWHDC to be tested in follow up
5CP	Capita - HR & Payroll	HR Recruitment Processes	Joint	21	10	10	2015/2016	1	Limited	3	Limited	3	1	2	2	2	1	1	19		Followed up 16/17
HR, IT & Customer Services	Policy & Partnership	Project Management	Joint	21	10	10	2015/2016	1	Limited	3	Limited	3	2	1	2	1	2	1	19		Followed up 16/17
Corporate Strategy	Leisure	The Beacon	VWHDC	18	0	10	2013/2014	3	N/A	0	Limited	3	3	2	2	0	1	0	19	276	
Corporate Strategy	Grants	Discretionary Grants	Joint	18	7	7	2012/2013	4	Satisfactory	2	Limited	3	2	1	3	0	1	0	19	290	
Finance	Assurance	Emergency Planning	Joint	18	5	5	2012/2013	4	Satisfactory	2	Satisfactory	2	2	0	3	1	3	0	19	300	
Legal & Democratic Services	Elections	Elections & Elections Payments	Joint	26	15	15	2015/2016	1	Limited	3	Satisfactory	2	1	2	3	2	2	0	19		Followed up 16/17
Finance	Arts	Cornerstone	SODC	21	10	0	2016/2017	0	Limited	3	N/A	0	3	1	3	1	3	1	19		2016/2017 audit
Corporate Strategy	Environmental Protection	Pest Control	SODC	17	5	0	2010/2011	6	Limited	3	N/A	0	2	0	3	1	1	0	18		Covered in 16/17 individual reviews
Corporate Strategy	Parks	Grounds Maintenance	Joint	17	9	9	2011/2012	5	Satisfactory	2	Satisfactory	2	2	0	3	1	1	0	18	318	Identified as an insurance risk
5CP	Capita - Revenue & Benefits	Council Tax Reduction Scheme Fraud	Joint	17	5	5	2012/2013	4	Full	0	Full	0	3	2	2	1	1	0	18		Covered in HBCTRS audit 16/17
5CP	Vinci - Facilities	Post Room	Joint	17	10	10	2013/2014	3	Satisfactory	2	Satisfactory	2	2	2	1	0	2	0	18		Covered in 16/17 individual reviews
5CP	Vinci - Facilities	Car Parks	Joint	17	10	10	2014/2015	2	Full	0	Full	0	3	3	2	1	1	0	18	338	
5CP	Vinci - Facilities	Facilities Management	Joint	20	10	10	2016/2017	0	Limited	3	Limited	3	2	2	2	0	2	0	18		2016/2017 audit
HR, IT & Customer Services	Policy & Partnership	Health & Safety	Joint	20	10	10	2016/2017	0	Satisfactory	2	Satisfactory	2	2	1	3	3	2	0	18		2016/2017 audit
HR, IT & Customer Services	Economic Development	Leader Project Assurance	SODC	17	10	0	2010/2011	6	Satisfactory	2	Satisfactory	2	3	0	1	0	1	0	18	348	Cfwd from 2016/17
5CP	Arcadis - Property	Property Management	Joint	0	10	10	new area	0	N/A	0	N/A	0	3	1	3	3	3	1	18	368	Identified as an insurance risk
5CP	Capita - Finance & Procurement	Petty Cash Spot Checks	Joint	16	2	2	2011/2012	5	Full	0	Full	0	3	3	0	0	0	0	17	372	
5CP	Capita - Finance & Procurement	Budgetary Control	Joint	16	5	5	2012/2013	4	Full	0	Full	0	3	1	3	0	2	0	17	382	
5CP	Capita - Finance & Procurement	Internal Recharges	Joint	16	8	8	2013/2014	3	Satisfactory	2	Satisfactory	2	3	1	0	0	2	0	17	398	
Development & Housing	Housing	Housing Development	Joint	15	10	10	2007/2008	9	Satisfactory	2	Satisfactory	2	0	0	3	0	0	1	17	418	
5CP	Capita - HR & Payroll	Travel & Subsistence	Joint	16	10	10	2014/2015	2	Full	0	Full	0	3	3	1	0	2	0	17		
5CP	Capita - Customer Services, Licensing & Land Charges	Land Charges	Joint	16	10	10	2014/2015	2	Satisfactory	2	Satisfactory	2	2	1	3	1	1	0	17		
Corporate Strategy	Waste Management	Brown Bins	Joint	16	10	10	2013/2014	3	Full	0	Full	0	3	1	3	1	2	0	17		
HR, IT & Customer Services	Policy & Partnership	Partnership Performance Monitoring	Joint	16	10	10	2015/2016	1	Limited	3	Limited	3	2	0	3	1	2	0	17		
Planning	Planning Policy	Development Management	Joint	16	10	10	2015/2016	1	Satisfactory	2	Satisfactory	2	1	2	3	1	2	0	17		
Legal & Democratic Services	Legal	RIPA	Joint	16	5	5	2013/2014	3	Full	0	Full	0	2	1	3	3	2	0	17		
HR, IT & Customer Services	ICT Applications	Geographical Information Systems	Joint	15	10	10	2008/2009	8	Satisfactory	2	Satisfactory	2	0	0	1	1	2	0	16		
Legal & Democratic Services	Legal	VFM from CCTV Contract	Joint	15	10	10	2009/2010	7	Satisfactory	2	Satisfactory	2	1	0	2	1	0	0	16		
Health and Housing	Environmental Protection	Stray Dogs Contract	Joint	15	8	8	2010/2011	6	N/A	0	Satisfactory	2	2	0	2	1	1	0	16		
Corporate Strategy	Policy & Partnership	Equalities and Diversity	Joint	15	8	8	2011/2012	5	Satisfactory	2	Satisfactory	2	1	0	2	1	2	0	16		
Development & Housing	Housing	Housing Allocations	Joint	15	10	10	2012/2013	4	Full	0	Full	0	1	2	3	2	1	0	16		
HR, IT & Customer Services	Policy & Partnership	Freedom of Information	Joint	15	6	6	2012/2013	4	Satisfactory	2	Satisfactory	2	1	0	3	2	1	0	16		
Finance	Finance	Community Loans Scheme	SODC	15	4	0	2013/2014	3	Full	0	Full	0	2	2	2	1	2	0	16		

Schedule of Auditable Activity

Appendix 2

SERVICE AREA	SERVICE TEAM	AUDIT AREA	SODC/ VWHDC/JOINT	LAST PRIORITY RATING	SODC AUDIT ALLOCATION	VWHDC AUDIT ALLOCATION	LAST REVIEWED	REVIEW SCORE	SODC LAST AUDIT RATING	RATING SCORE	VWHDC LAST AUDIT RATING	RATING SCORE	FINANCIAL RISK X 2	FRAUD RISK X 2	REPUTATIONAL RISK	LEGAL RISK	CORPORATE RISK	OFFICER REQUEST	PRIORITY SCORE	2017/2018 cumulative	AUDIT PLANNING NOTES
5CP	Capita - Finance & Procurement	Contract Management	Joint	15	10	10	2014/2015	2	Full	0	Full	0	2	1	3	2	3	0	16		
Development & Housing	Housing	Temporary Accomodation	Joint	15	0	12	2014/2015	2	Satisfactory	2	Limited	3	1	1	3	1	1	0	16		
5CP	Capita - HR & Payroll	HR Management	Joint	22	10	10	2015/2016	1	Satisfactory	2	Satisfactory	2	1	1	2	2	2	1	16		
5CP	Capita - HR & Payroll	Training & Development	Joint	22	6	6	2016/2017	0	Satisfactory	2	Satisfactory	2	2	1	2	1	2	1	16		
HR, IT & Customer Services	Policy & Partnership	Safeguarding Children, Young People and Vulnerable Adults	Joint	14	N/A	N/A	2016/2017	0	Substantial	1	Substantial	1	2	1	3	3	1	1	16		
HR, IT & Customer Services	Policy & Partnership	Information Governance	Joint	15	10	10	2012/2013	4	Satisfactory	2	Satisfactory	2	0	0	3	2	3	0	16	438	Cfwd from 2016/17
Planning	Development	Planning Consultations	Joint	8	10	10	2016/2017	0	Limited	3	Limited	3	0	0	3	3	3	0	15		
Corporate Strategy	Parks	Tree Management and Inspections	Joint	15	10	10	New area	0	N/A	0	N/A	0	2	2	3	1	2	1	15	458	Cfwd from 2016/17
5CP	Capita - Finance & Procurement	Petty Cash Procedures	Joint	14	5	5	2014/2015	2	Satisfactory	2	Satisfactory	2	1	3	0	0	1	0	15		
Legal & Democratic Services	Democratic Services	Gifts and Hospitality	Joint	20	5	5	2016/2017	0	Substantial	1	Substantial	3	1	2	3	1	1	0	15		
Corporate Strategy	Waste Management	Waste Management and Recycling	Joint	13	10	10	2015/2016	1	Substantial	1	Substantial	1	3	0	3	1	1	0	14		
Corporate Strategy	Leisure	Seasonal Leisure Activities	Joint	13	6	6	2012/2013	4	Full	0	Full	0	2	1	2	1	1	0	14		
Corporate Strategy	Food & Safety	Food & Safety	Joint	13	10	10	2013/2014	3	Satisfactory	2	Satisfactory	2	1	0	3	1	1	0	14		
SMB	SMB	Comments & Complaints Process	Joint	20	7	7	2016/2017	0	Satisfactory	2	Satisfactory	2	1	1	3	1	1	0	13		
5CP	Vinci - Facilities	Mobile Home Parks	Joint	12	12	12	2012/2013	4	Satisfactory	2	Satisfactory	2	1	0	2	0	1	0	13		
5CP	Capita - Finance & Procurement	Bank Contract & Arrangements	Joint	11	4	0	2014/2015	2	Full	0	Full	0	2	0	1	2	3	0	12		
Legal & Democratic Services	Democratic Services	Corporate Governance	Joint	11	10	10	2014/2015	2	Full	0	Full	0	0	2	3	1	2	0	12		
HR, IT & Customer Services	Economic Development	Leader Project Grant Verification	SODC	11	4	0	2013/2014	3	Full	0	N/A	0	3	0	1	0	1	1	12	462	DEFRA requirement
HR, IT & Customer Services	Policy & Partnership	Consultation (Public & Staff)	Joint	10	5	5	2015/2016	1	Substantial	1	Substantial	1	1	0	3	0	3	0	11		

KEY: Key Financial System = annual review | Current 2016/2017 year review in progress | In 2017/2018 audit plan

Review Score
Number of audit years since last review.

Rating Score
Full Assurance - 0 points
Substantial Assurance - 1 point
Satisfactory Assurance - 2 point
Limited Assurance - 3 points
Nil Assurance - 4 points

Risk Score
Negligible Risk - 0 points
Low Risk - 1 point
Consequences will not be severe and any associated losses relatively small.
Medium Risk - 2 points
Risk will have a noticeable effect on services provided.
High Risk - 3 points
Risks which can leave a major impact on the operation of the council or the services.

Risk Definition

Financial - Any risk which has a potential adverse financial consequence.

Fraud - The risk of a person/persons using deception to make a personal gain which has an impact on the organisation.

Reputaional - Risk of negative perception on the part of stakeholders which then has an impact on the organisation.

Legal - Risk of breaches of legislation. Any financial consequence of such a breach is scored in the financial risk element.

Corporate - Risk of operational disruption resulting from inadequate or failed internal processes, people and systems or from external events.

NB: Financial and fraud risk has been weighted (x2), due to higher level of impact if risk materialised.

Audit Plan 2017/2018 **APPENDIX 3**

JOINT	Priority Score	SODC Days	VWHDC Days
Payroll	29	18	18
Creditor Payments	27	10	10
Sundry Debtors	24	10	10
Council Tax	23	10	10
General Ledger	22	10	10
Housing Benefits & Council Tax Reduction Scheme	22	15	15
Data Protection	22	8	8
Capital Management & Accounting	21	7	7
Lone Working and Officer Security	21	7	7
NNDR	21	10	10
Treasury Management	20	7	7
Pro-active Anti-Fraud Review	20	7	7
Licensing	20	10	10
Credit Card Usage	20	4	4
The Beacon	19	0	10
Discretionary Grants	19	7	7
Emergency Planning	19	5	5
Grounds Maintenance	18	9	9
Car Parks	18	10	10
LEADER Project Assurance (new funding)	18	10	0
Property Management	18	10	10
Petty Cash Spot Checks	17	2	2
Budgetary Control	17	5	5
Internal Recharges	17	8	8
Housing Development	17	10	10
Information Governance	16	10	10
Tree Management and Inspections (new area)	15	10	10
LEADER Project Grant Verification	12	4	0
TOTAL DAYS		**233**	**229**
5 Councils Partnership		20	20
Town and Parish Council Client Work		8	11

Priority Rating:
Audits are rated within the schedule of auditable activity taking into consideration the following factors:

- The date of the last review;
- The last assurance rating the audit area was given;
- Risk scores for the level of exposure to financial, fraud, reputational, legal and corporate risk; and
- Officer requests for a review.

This generates a priority score which, together with external and internal audit and the section 151 officer's opinion on key risk areas, drives which audits are placed in the annual audit plan.

Joint Audit and Governance Committee

Report of Head of Finance/Chief Accountant (Capita)

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To: Joint Audit and Governance Committee

DATE: 20 March 2017

Statement of accounts 2016/17

Recommendations

(a) To note progress on completing the 2016/17 statement of accounts

(b) To approve the revised statements of accounting policies as shown in Appendix 1 (South Oxfordshire DC) and Appendix 2 (Vale of White Horse DC).

Purpose of Report

1. To update councillors on progress being made towards the completion of the 2016/17 statement of accounts, and to present revised statements of accounting policies for approval.

Strategic Objectives

2. South – unqualified final accounts helps us demonstrate our strong financial position.

3. Vale – unqualified final accounts helps us demonstrate that we run an efficient council.

Background

4. As councillors will be aware, the statement of accounts for both councils for 2016/17 are required to be completed and signed off for audit by the head of finance by 30 June, and audited accounts are to be approved by this committee for publication by 30 September. This report brings to the attention of the committee some of the key issues for this year's closedown.

Changes to the accounts for 2016/17

5. The key change to the financial statements for 2016/17 is presentational. In previous years councils have been required to present the Comprehensive Income and Expenditure Statement (CIES), one of the primary statements in the accounts, on the basis of a national standard for presentation known as SeRCOP – the Service Reporting Code of Practice. To make the accounts easier to understand for the reader, from 2016/17 onwards councils will be able to present the CIES based on how they manage their resources.

6. To further help the reader, a new Expenditure and Funding Analysis (EFA) will be introduced. This will reconcile the movement in a council's general fund balance to the surplus/deficit on the provision of services as shown in the CIES. This will explain the statutory adjustments made to figures calculated in line with International Financial Reporting Standards (IFRS).

7. As a consequence of the introduction of the EFA, another of the primary statements, the Movement in Reserves Statement (MiRS) can be simplified as much of its contents are included in the EFA.

8. There is a need to restate the CIES and the MiRS from 2015/16 although the bottom line totals will be unchanged as these changes reflect a re-analysis of prior year costs in the case of the CIES, and a change to the new format for the MiRS. There is no change to, or requirement to restate, the 2015/16 balance sheet.

9. There are no new or changed accounting standards, or other technical changes, that need to be reflected in the 2016/17 accounts. This means that there are no substantive changes to the statement of accounting policies, other than to reflect the changes highlighted above. The draft policies are attached as Appendix 1 (South Oxfordshire DC) and Appendix 2 (Vale of White Horse DC) and the committee is asked to approve these.

Faster closedown

10. As previously reported to this committee, the final accounts deadlines are being brought forward, so that the 2017/18 statement of accounts is required to be signed off for audit by the head of finance by 31 May 2018, with committee approval for publication required by 31 July 2018. Although this change is one year away accountancy, in common with many authorities, is taking the opportunity to make preparations for this by bringing forward deadlines as a trial run. For practical purposes, given the Whitsun bank holiday and school half term, a target deadline of Friday 26 May 2016 for completion of the 2016/17 accounts has been set.

11. Whilst the team has timetabled its work around this deadline, its achievement is not solely within the gift of the accountancy team as information from a number of third parties is required. As in previous years, information on amounts material to the accounts is required as follows:

- Pensions liability information from the actuaries,
- Property valuations from the councils' valuers,
- Council tax and business rates information from Capita's revenues and benefits service.

12. In addition, the implementation of the Five Councils' Partnership means that there are additional areas where information, which was once provided by an internal service, is now provided by an external provider. An example is information required to complete the officers' emoluments note, which will now come from the Capita human resources service.

13. In addition, accountancy is reliant on the Joint Client Team for information on client team recharges and recharges of Capita and Vinci contract costs, which are all paid by South Oxfordshire DC on behalf of all five councils in the partnership in the first instance. All third parties have been made aware of deadlines in advance, and the timetable and guidance was circulated on Monday 27 February.

Other issues

14. The plan for closing the accounts takes into account the available resource and current planned activity during the period. Should significant additional, or urgent, project work arise during the final accounts period, this could affect the team's ability to meet the statutory deadline. The impact of such work will be reviewed, prioritised and managed by Capita and agreed with the Head of Finance and the Joint Client Team's Finance and Procurement Manager. Any impact which affects the ability to meet the statutory deadline will be reported to councillors.

Financial Implications

15. There are no direct financial implications arising from this report.

Legal Implications

16. None

Risks

17. None

Other Implications

18. None

Conclusion

19. In preparing for the 2016/17 final accounts process there are a number of issues that committee needs to be aware of which have been covered in this report.

Statement of accounting policies

(i) General principles

The statement of accounts summarises the council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The council is required to prepare an annual statement of accounts by 30 June 2017 and for the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the Accounts and Audit Regulations 2015.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

(ii) Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council;

- revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council;

- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet;

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and

- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(iii) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are defined as follows:

- cash and cash equivalents shall include bank overdrafts that are an integral part of the council's cash management;

- cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes; and

- investments that can be liquidated or accessed within 30 days i.e. money market funds, call accounts and deposit accounts with a notice period of 30 days or less.

Equity investments are excluded from the definition.

(iv) Prior period adjustments, changes in accounting policies and estimates and errors

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

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

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

(v) Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off; and

- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing required. As at 31 March 2017 this council has no borrowing requirement, so this contribution is not required. Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the MiRS.

(vi) Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. They are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements and additional hours earned by employees but not taken as time off before the year-end which employees can carry forward into the next financial year. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the MiRS

so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable either as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Such benefits are charged on an accruals basis to relevant service in the CIES when the council is demonstrably committed to the termination of the employment of an officer or group of officers or to making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Oxfordshire County Council pension fund attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees;

- Liabilities are discounted to their value at current prices, using a discount rate based on the yield at the 17 year point on the Merill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Council's liabilities. This is consistent with the approach used at the last accounting date.

- The assets of Oxfordshire County Council pension fund attributable to the council are included in the balance sheet at their fair value:

  - Quoted securities - current bid price

  - Unquoted securities - professional estimate
  - Unitised securities - current bid price

  - Property - market value.

- The change in the net pensions liability is analysed into the following components:

- Service cost comprising:

  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the services for which the employees worked.
  - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the surplus or deficit on the provision of services in the CIES.

- net interest on the Net Defined Benefit Liability (NDBL), i.e. net interest for the council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

  - the return on scheme assets – excluding amounts included in the NDBL – charged to the pensions reserve as other CIES.
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the pensions reserves as other CIES.

- Contributions paid to the Oxfordshire County council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MiRS this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid a the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

(vii) Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the statement of accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period - the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

(viii) Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the income and expenditure account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The only financial liabilities the council has are trade creditors.

The council currently has no borrowings and has issued no bonds to bond holders.

Financial assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market; and

- available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, if the council has made loans at less than market rates (soft loans), then a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the balance sheet.

Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year. However, the loss attributable to a loan of less than £20,000 is not material and at the current date the council has no material loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. This figure is shown in the accounts for trade debtors as a provision for bad and doubtful debts. This provision is recalculated annually by applying an estimate of the proportion of debt in each category that is unlikely to be collectable based on past experience. Debts which are known to be un-collectable are written off.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Available-for-sale assets

Available-for-sale assets are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CIES when it becomes receivable by the council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price;
- other instruments with fixed and determinable payments - discounted cash flow analysis; and
- equity shares with no quoted market prices - independent appraisal of company valuations.

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

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date,

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly,

Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the available-for-sale reserve financial instrument reserve and the gain/loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets. The exception is where impairment losses have been incurred - these are debited to the financing and investment income and expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the available-for-sale financial instrument reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the available-for-sale financial instruments reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

(ix) Foreign currency translation

The council makes a number of small purchases in foreign currency. However the transaction is made at the current prevailing exchange rate, the goods or services are received immediately and, therefore, there are no gains or losses as a result of variances in the exchange rate required to be recorded.

(x) Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations, including Community Infrastructure Levy (CIL) contributions, are recognised as due to the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified. If this is not the case then future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income (non-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the general fund balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. When it has been applied, it is posted to the capital adjustment account.

(xi) Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no

intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the MiRS and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

(xii) Interests in companies and other entities – jointly controlled operations and jointly controlled assets

The council has no material interests in other companies or entities that have the nature of subsidiaries, associates or jointly controlled entities and there is therefore no requirement to prepare group accounts.

Jointly controlled operations are classified as activities undertaken by the council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. They are items of property, plant or equipment that are jointly controlled by the council and other venturers, with the assets being used to obtain benefits for the venturers. Whilst the council has entered into joint arrangements on the provision of services with other councils, none of the assets of those councils can be said to be under joint control of the councils.

(xiii) Inventories and long term contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the CIES with the value of works and services received under the contract during the financial year.

(xiv) Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participants' perspective. . Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the MiRS and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

(xv) Leases

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

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

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

The council as lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability; and
- A finance charge (debited to the financing and investment income and expenditure line in the CIES).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the MiRS for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

The council as lessor

Finance leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the

lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received); and

- Finance income (credited to the financing and investment income and expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the general fund balance and is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts reserve in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the MiRS.

Operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is a creditor to the other operating expenditure line in the CIES.

(xvi) Overheads and support services

The costs of overheads and support services are charged to services in accordance with the authority's arrangements for accountability and financial performance.

(xvii) Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The council would not capitalise borrowing costs if required to be incurred for assets under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the CIES, they are reversed out of the general fund balance to the capital adjustment account in the MiRS.

Assets are then carried in the balance sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- Surplus assets – fair value, estimated at highest and best use from a market participant's perspective;
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

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

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.
Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where the balance on the revaluation reserve is less than the decrease in value the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;

- where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.

When assets are formally revalued, the accumulated depreciation and impairment balances are written down. The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where the balance on the revaluation reserve is less than the impairment the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;

- Where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.

- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).
Depreciation is calculated on the following bases:

- Buildings and infrastructure assets – straight line allocation over the useful life of the property as estimated by the valuer;

- Vehicles, plant, furniture and equipment – on a straight line basis, generally over the useful life of the asset.

More detail on depreciation rates for asset categories is included in note 5 to the accounts.
Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable

based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous loss recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the reserve from the general fund balance in the MiRS.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the MiRS.

(xviii) Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant

service if it is virtually certain that reimbursement will be received if the council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(xix) Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the CIES. The reserve is then appropriated back into the general fund balance in the MiRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant note.

(xx) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the MiRS from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

(xxi) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

(xxii) Fair Value Measurement

The council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to

transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

Statement of accounting policies

(i) General principles

The statement of accounts summarises the council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The council is required to prepare an annual statement of accounts by 30 June 2017 and for the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under the Accounts and Audit Regulations 2015.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

(ii) Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council;

- revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council;

- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet;

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and

- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(iii) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are defined as follows:

- cash and cash equivalents shall include bank overdrafts that are an integral part of the council's cash management;

- cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes; and

- investments that can be liquidated or accessed within 30 days i.e. money market funds, call accounts and deposit accounts with a notice period of 30 days or less.

Equity investments are excluded from the definition.

(iv) Prior period adjustments, changes in accounting policies and estimates and errors

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

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

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

(v) Charges to revenue for non-current assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;

- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off; and

- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing required. As at 31 March 2017 this council has no borrowing requirement, so this contribution is not required. Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the MiRS.

(vi) Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. They are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements and additional hours earned by employees but not taken as time off before the year-end which employees can carry forward into the next financial year. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the MiRS

so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable either as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Such benefits are charged on an accruals basis to relevant service in the CIES when the council is demonstrably committed to the termination of the employment of an officer or group of officers or to making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Oxfordshire County Council pension fund attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees;

- Liabilities are discounted to their value at current prices, using a discount rate based on the yield at the 17 year point on the Merill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Council's liabilities. This is consistent with the approach used at the last accounting date.

- The assets of Oxfordshire County Council pension fund attributable to the council are included in the balance sheet at their fair value:

  - Quoted securities - current bid price

  - Unquoted securities - professional estimate
  - Unitised securities - current bid price

  - Property - market value.

- The change in the net pensions liability is analysed into the following components:

- Service cost comprising:

  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the services for which the employees worked.
  - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the surplus or deficit on the provision of services in the CIES.

- net interest on the Net Defined Benefit Liability (NDBL), i.e. net interest for the council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

  - the return on scheme assets – excluding amounts included in the NDBL – charged to the pensions reserve as other CIES.
  - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the pensions reserves as other CIES.

- Contributions paid to the Oxfordshire County council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MiRS this means that there are appropriations to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid a the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

(vii) Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the statement of accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period - the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

(viii) Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the income and expenditure account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The only financial liabilities the council has are trade creditors.

The council currently has no borrowings and has issued no bonds to bond holders.

Financial assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market; and

- available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, if the council has made loans at less than market rates (soft loans), then a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the balance sheet.

Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable for the financial year. However, the loss attributable to a loan of less than £20,000 is not material and at the current date the council has no material loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. This figure is shown in the accounts for trade debtors as a provision for bad and doubtful debts. This provision is recalculated annually by applying an estimate of the proportion of debt in each category that is unlikely to be collectable based on past experience. Debts which are known to be un-collectable are written off.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Available-for-sale assets

Available-for-sale assets are recognised on the balance sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CIES when it becomes receivable by the council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price;
- other instruments with fixed and determinable payments - discounted cash flow analysis; and
- equity shares with no quoted market prices - independent appraisal of company valuations.

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

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date,

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly,

Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the available-for-sale reserve financial instrument reserve and the gain/loss is recognised in the surplus or deficit on revaluation of available-for-sale financial assets. The exception is where impairment losses have been incurred - these are debited to the financing and investment income and expenditure line in the CIES, along with any net gain or loss for the asset accumulated in the available-for-sale financial instrument reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the financing and investment income and expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the available-for-sale financial instruments reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

(ix) Foreign currency translation

The council makes a number of small purchases in foreign currency. However the transaction is made at the current prevailing exchange rate, the goods or services are received immediately and, therefore, there are no gains or losses as a result of variances in the exchange rate required to be recorded.

(x) Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations, including Community Infrastructure Levy (CIL) contributions, are recognised as due to the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified. If this is not the case then future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income (non-ring fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the general fund balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. When it has been applied, it is posted to the capital adjustment account.

(xi) Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no

intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the CIES.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the MiRS and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

(xii) Interests in companies and other entities – jointly controlled operations and jointly controlled assets

The council has no material interests in other companies or entities that have the nature of subsidiaries, associates or jointly controlled entities and there is therefore no requirement to prepare group accounts.

Jointly controlled operations are classified as activities undertaken by the council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. They are items of property, plant or equipment that are jointly controlled by the council and other venturers, with the assets being used to obtain benefits for the venturers. Whilst the council has entered into joint arrangements on the provision of services with other councils, none of the assets of those councils can be said to be under joint control of the councils.

(xiii) Inventories and long term contracts

Inventories are included in the balance sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the CIES with the value of works and services received under the contract during the financial year.

(xiv) Investment property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participants' perspective. . Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the MiRS and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

(xv) Leases

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

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

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

The council as lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability; and
- A finance charge (debited to the financing and investment income and expenditure line in the CIES).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the MiRS for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefiting from use of the leased property, plant or equipment.

The council as lessor

Finance leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the balance sheet as a disposal. At the commencement of the

lease, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the balance sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received); and

- Finance income (credited to the financing and investment income and expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the general fund balance and is posted out of the general fund balance to the capital receipts reserve in the movement in reserves statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the general fund balance to the deferred capital receipts reserve in the movement in reserves statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the general fund balance in the MiRS.

Operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is a creditor to the other operating expenditure line in the CIES.

(xvi) Overheads and support services

The costs of overheads and support services are charged to services in accordance with the authority's arrangements for accountability and financial performance.

(xvii) Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The council would not capitalise borrowing costs if required to be incurred for assets under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the CIES, they are reversed out of the general fund balance to the capital adjustment account in the MiRS.

Assets are then carried in the balance sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- Surplus assets – fair value, estimated at highest and best use from a market participant's perspective;
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

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

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.
Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where the balance on the revaluation reserve is less than the decrease in value the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;

- where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.

When assets are formally revalued, the accumulated depreciation and impairment balances are written down. The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where the balance on the revaluation reserve is less than the impairment the carrying amount of the asset is written down firstly against the balance on the revaluation reserve and the remaining balance against the relevant service line(s) in the CIES;

- Where there is no balance in the revaluation reserve the carrying amount of the asset is written down straight to the relevant service line(s) in the CIES.

- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).
Depreciation is calculated on the following bases:

- Buildings and infrastructure assets – straight line allocation over the useful life of the property as estimated by the valuer;

- Vehicles, plant, furniture and equipment – on a straight line basis, generally over the useful life of the asset.

More detail on depreciation rates for asset categories is included in note 5 to the accounts.
Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable

based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous loss recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the reserve from the general fund balance in the MiRS.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the MiRS.

(xviii) Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant

service if it is virtually certain that reimbursement will be received if the council settles the obligation.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(xix) Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the CIES. The reserve is then appropriated back into the general fund balance in the MiRS so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the council - these reserves are explained in the relevant note.

(xx) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the MiRS from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

(xxi) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

(xxii) Fair Value Measurement

The council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to

transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

Audit and governance work programme

containing Audit and Governance Committee work to be undertaken
1 APRIL 2017- 30 MARCH 2018

South Oxfordshire District Council
Listening Learning Leading

Vale of White Horse District Council

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.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit activity report – first quarter 2017/18	Joint Audit and Governance Committee 3 July 2017	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 2017/18.	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 - first quarter 2017/18	Joint Audit and Governance Committee 3 July 2017	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 2016/17 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.
Internal audit annual report 2017/18	Joint Audit and Governance Committee 3 July 2017	Adrianna Partridge, Email: adrianna.partridge@southandvale.gov.uk	Each year the council's internal audit team produces an annual report to review activities over the previous year	To review internal audit activity during 2016/17	
External auditor's fees	Joint Audit and Governance Committee 3 July 2017	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor to set out the audit and certification fees for 2017/18		
Comments and complaints 2016/17	Joint Audit and Governance Committee 3 July 2017	David Hill, Email c/o: kim.ashford@southandvale,gov.uk	The committee is responsible for monitoring the councils' comments and complaints.	To review the comments and complaints received during 2016/17	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Risk Management	Joint Audit and Governance Committee 3 July 2017	Adrianna Partridge, Email: adrianna.partridge@southandvale.gov.uk	The current risk management strategy was approved in 2013 and is due for review	To review the risk management strategy	
5 Councils' Partnership	Joint Audit and Governance Committee 3 July 2017	Mark Stone, Email: mark.stone@southandvale.gov.uk	Committee agreed to receive a report	To update the Committee on governance arrangements	
External auditor's annual governance reports 2016/17	Joint Audit and Governance Committee 25 September 2017	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor publishes an annual governance report on the councils' activities.	To consider the external auditor's annual governance reports 2016/17	
Statements of accounts 2016/17	Joint Audit and Governance Committee 25 September 2017	Simon Hewings, simon.hewings@southandvale.gov.uk	The councils must produce statements of accounts each year.	To approve the statements of accounts 2016/17	
Annual governance statements 2016/17	Joint Audit and Governance Committee 25 September 2017	Ron Schrieber, Email: ron.schrieber@southandvale.gov.uk	The councils are required to publish annual governance statements	To approve the annual governance statements 2016/17	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Treasury management outturn 2016/17	Joint Audit and Governance Committee September 2017	Simon Hewings, simon.hewings@southandvale.gov.uk	The committee is responsible for the scrutiny of the councils' treasury management activity.	To consider the treasury management outturn for 2016/7	
Letters of representation to the council's external auditor	Joint Audit and Governance Committee 25 September 2017	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The committee's co-chairmen and the section 151 officer are required to sign a 'letter of representation' to the external auditor, as part of the process in completing the statement of accounts.	To consider and agree the letters of representation	
Treasury management mid-year monitoring 2017/18	Joint Audit and Governance Committee 15 January 2018	Simon Hewings simon.hewings@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 2016/17 financial year.	
Treasury management strategies 2017/18	Joint Audit and Governance Committee 15 January 2018	Simon Hewings simon.hewings@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	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
External auditor's annual audit letter	Joint Audit and Governance Committee 15 January 2018	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor, , is responsible for auditing the councils' business.	To consider the external auditor's annual audit letter 2016/17 .	
Internal audit plan 2017/18	Audit and Governance Committee 26 March 2018	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 2017/18	
Review of statement of accounting policies	Joint Audit and Governance Committee 26 March 2018	Simon Hewings simon.hewings@southandvale.gov.uk	To audit and review the policies and principles used when compiling the 2017/18 accounts.		