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Agenda

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Date: 16 March 2018

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A MEETING OF THE

Joint Audit and Governance Committee

WILL BE HELD ON MONDAY 26 MARCH 2018 AT 6.30 PM

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

Members of the Committee:

South Oxfordshire District Council
Charles Bailey
Kevin Bulmer (Co-Chair)
Toby Newman
1 vacancy

Vale of White Horse District Council
Dudley Hoddinott
Simon Howell (Co-Chair)
Chris Palmer
Henry Spencer

Preferred Substitutes

South Oxfordshire District Council
Joan Bland
David Dodds
Richard Pullen
Alan Thompson

Vale of White Horse District Council
Yvonne Constance
Helen Pighills
Judy Roberts
Reg Waite
Catherine Webber

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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 29 January 2018 (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 Annual report on the Councillors' Code of Conduct (Pages 11 - 20)

To consider the report of the monitoring officer (attached).

7 External auditor's progress report

To receive an oral update.

8 Internal audit activity report quarter four 2017/2018 (Pages 21 - 53)

To consider the report of the interim audit manager (attached).

9 Internal audit review of Five Councils' Partnership governance

To consider the report of the interim audit manager (to follow).

10 Internal audit management report quarter four 2017/2018
(Pages 54 - 62)

To consider the report of the interim audit manager (attached).

11 Internal audit annual plan 2018/2019 (Pages 63 - 73)

To consider the report of the interim audit manager (attached).

12 Statement of accounts 2017/18 (Pages 74 - 108)

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

13 Work programme (Pages 109 - 114)

To consider the work programme (attached).

MARGARET REED

Head of Legal and Democratic

Minutes

OF A MEETING OF THE

Joint Audit and Governance Committee

HELD ON MONDAY 29 JANUARY 2018 AT 6.30 PM
MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK OX14 4SB

Present

Members:

South Oxfordshire District Councillors: Kevin Bulmer, John Walsh and Richard Pullen (in place of Toby Newman)
Vale of White Horse District Councillors: Dudley Hoddinott, Simon Howell (Chairman) and Chris Palmer

Officers

Sandy Bayley, Yvonne Cutler-Greaves, Simon Hewings, William Jacobs, Nilesh Parmar, Ron Schrieber and Mark Stone

Also present:

Councillors Robert Sharp and Emily Smith. Andrew Brittain and Malcolm Haines (EY). John Backley (Vinci), Ian Miles (Arcadis) and Richard Spraggett (Capita Accountancy).

34 Apologies for absence

South Oxfordshire District Councillor Toby Newman had submitted apologies for absence. Councillor Richard Pullen substituted for him.

Vale of White Horse District Councillor Henry Spencer had submitted apologies for absence.

35 Minutes

RESOLVED: to adopt as a correct record the minutes of the committee meeting held on 25 September 2017 and agree that the chairman signs them as such.

36 Declarations of interest

None.

37 Urgent business and chairman's announcements

The chairman announced that a member of the public would be recording part of the meeting.

38 Public participation

None.

39 External auditor's annual letters 2016/17

The committee considered the external auditor's annual audit letters for 2016/17 and noted that an unqualified opinion had been issued on both South Oxfordshire and Vale of White Horse District Councils' financial statements.

The external auditor had concluded that both councils had put in place proper arrangements to secure value for money in its use of resources except in relation to the senior management restructure. However, it was noted that both councils had set up a new interim structure in August 2017 and was currently recruiting new heads of service in order to increase senior management capacity.

RESOLVED: to note the external auditor's annual audit letters for 2016/17.

40 External auditor's report on the certification of claims and returns 2016/17

The committee considered the external auditor's certification of claims and returns annual report for 2016/17 and noted that there had been minor amendments to South Oxfordshire's housing benefits subsidy claims and no significant issues with either councils' claims.

RESOLVED: to note the external auditor's certification of claims and returns annual report for 2016/17.

41 South Oxfordshire and Vale of White Horse District Councils' Audit Planning Report 2017/18

The committee considered EY's audit plan 2017/18 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.

The committee considered the potential implications of the bringing forward of the statutory deadlines for the publication of the statements of accounts. The committee was informed that EY would be submitting a progress report on its interim work and any control observations to the next meeting.

RESOLVED: to note the South Oxfordshire and Vale of White Horse District Councils' audit plan 2017/18.

42 Risk management framework

Further to the September 2017 meeting when the committee approved the council's risk management strategy and framework, it considered a report detailing the risk management activity to date.

The committee was informed that corporate risk registers were being drafted and that the senior management team had reviewed and evaluated the gross risk score and had identified the risk owners. The next step was to complete the registers by reviewing the existing mitigation actions with each risk owner, identifying the "net" risk score to take these actions into account and identify any further actions required.

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

- Risks relating to IT and HR were included in a separate 5 Councils' Partnership risk register
- The financial implications of the identified risks had yet to be costed but would be significant

The committee had previously agreed to receive progress reports every six months. However, due to the requirement to approve the statement of accounts' items at the July meeting, the next progress report was unlikely to be submitted to committee until October. Accordingly, members requested that an update be circulated in May/June.

RESOLVED: to note the progress report.

43 Internal audit activity report quarter three 2017/2018

The committee considered the interim audit manager's report on internal audit activity during the third quarter 2017/18. This summarised the outcomes of recent audit activity.

Four audits had been completed during the quarter, two of which had received limited assurance. A follow-up review of the councils' response to the Crowmarsh fire was also submitted.

Property Management 2017/2018

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

Members expressed concerns about high and medium risk recommendations not being implemented despite the agreed implementation dates having passed. The committee was advised that, subsequent to the implementation dates having been agreed, the responsible officer had left his post and his replacement had only taken up the position recently. Accordingly, some of the implementation dates had been put back.

Members requested that if changes to implementation dates were agreed after the publication of the internal audit report, then the committee should be notified of this prior to its consideration.

Credit card issue and authorisation

Officers reported on the management of risk in relation to council credit card usage and, in particular, controls on expenditure and the means by which credit card holders who have left the council returned the cards and were removed from the system as soon as possible.

Follow-up – Review of Crowmarsh fire

At the committee's request, a follow-up review had been undertaken to ensure that the agreed recommendations had been implemented within the agreed timescales.

Of the 19 recommendations, five had been implemented and one was no longer applicable. Revised dates had been agreed for the remaining 13 recommendations which had been partly implemented. Most of these would be implemented once draft continuity and emergency plans were approved and rolled out.

There were also 16 lessons learnt, two of which had been implemented at the time that the report was issued and a further seven had now been implemented. Revised dates had been agreed for the remaining seven which would also be addressed when the draft plans were approved.

Overdue recommendations

Appendix 2 to the report summarised all overdue recommendations within each service area and those which were the responsibility of a contractor.

The committee thanked the officers for their continuing efforts to revise the overdue recommendations tables to reflect the councils' new management structure.

RESOLVED: to note the internal audit activity report for the third quarter 2017/18.

44 Internal audit management report quarter three 2017/2018

The committee considered the interim audit manager's management report on internal audit for the third quarter of 2017/18.

The committee was advised that, subsequent to the publication of the report, the anticipated temporary appointment of an agency auditor to back-fill a current vacancy had fallen through. Consequently, it was possible that some of the internal audit priorities for quarter four set out in the report might slip into the next financial year.

RESOLVED: to note the internal audit management report for the third quarter of 2017/18.

45 Statement of accounts 2017/18

The committee considered an update from Capita's accountancy team on preparations for the 2017/18 final accounts.

In response to members' questions, the committee was advised that the work was progressing well and there were sufficient resources in place to ensure compliance with the statutory deadline.

RESOLVED: to note the report.

46 Treasury management mid-year monitoring report 2017/18

The committee considered the head of finance's report that monitored performance of the council's treasury management function for the first half of 2017/18.

The committee was informed that, subsequent to the publication of the report, a breach of counterparty limits had occurred due to Vale of White Horse receiving £12.4m for the sale of land at West Way.

In response to a member's question, the committee was advised that the income expected to be received by both councils on treasury investments would be reflected in future income investments.

RECOMMENDED to Cabinets to recommend Councils to:

1. note the treasury management mid-year monitoring report 2017/18;

2. record that the committee is satisfied that the treasury management activities are carried out in accordance with the treasury management strategy and policy; and

3. request the cabinets to consider the comments of this committee and recommend the Councils to approve the report.

47 South Oxfordshire District Council treasury management strategy 2018/19

The committee considered the head of finance's report that set out South Oxfordshire District Council's treasury management and investment strategy for 2018/19 to 2020/21.

The proposed strategy for 2018/19 included the following changes from that approved in 2017/18:

Investment type addition

Adding another investment type will allow the council wider choice of investment in the future as the pool of low risk counterparties reduces. There are no plans currently to invest in this vehicle.

- To add Non-UCITS Retail Schemes (NURS) to the strategy with a limit of £5 million

Maturity period adjustment

This change is proposed to reflect more closely the risk of these investments in the period over which investments can be made.

- To change the maximum maturity period from 1 year to 2 years for institutions with a minimum rating of F1/A-

- To change the maximum maturity period from 2 years to 3 years for institutions with a minimum rating of F1/A

Maximum ratio of total investment adjustment

Over the last year, the council's treasury balances have exceeded the historical levels upon which the treasury limits were based. This situation is expected to continue into the future and to ensure that the council's treasury limits now reflect the organisations needs the following changes are proposed:

- To increase the maximum investment total with building societies with assets over £1,000 million to 30 per cent

- To increase the maximum investment total with building societies with assets over £3,000 million to 40 per cent

- To increase the maximum investment total with building societies with assets over £5,000 million to 50 per cent

RECOMMENDED to Cabinet to recommend Council to:

1. approve the treasury management strategy 2018/19 set out in appendix A to the head of finance's report;

2. approve the prudential indicators and limits for 2018/19 to 2020/21 as set out in table 2, appendix A to the head of finance's report;

3. approve the annual investment strategy set out in appendix A (paragraphs 18 to 58), subject to the head of finance consulting the co-chair of the Joint Audit and Governance Committee before investing in any Non-UCITS Retail Scheme, and the lending criteria detailed in table 5 to the head of finance's report.

48 Vale of White Horse District Council treasury management strategy 2018/19

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 2018/19 to 2020/21.

The proposed strategy for 2018/19 included the following changes from that approved in 2017/18:

Counterparty limits

Over the last year, the council's treasury balances have exceeded the historical levels upon which the treasury limits were based. As a result temporary increases in treasury limits were required to be sought, through delegated powers to allow the council to continue to manage its treasury function effectively. This situation is

expected to continue into the future and to ensure that the council's treasury limits now reflect the organisations needs the following changes are proposed:

- To raise the investment limit with building societies with assets over £1 billion to £4 million from £3 million.
- To raise the investment limit with building societies with assets over £3 billion to £5 million from £3.5 million.
- To raise the investment limit with building societies with assets over £5 billion to £7 million from £5 million.
- To raise the investment limit with institutions with a minimum F1 rating to £10 million from £7.5 million.

Investment type addition

Adding another investment type will allow the council wider choice of investment in the future as the pool of low risk counterparties reduces. There are no plans currently to invest in this vehicle.

To add Non-UCITS Retail Schemes (NURS) to the strategy

RECOMMENDED to Cabinet to recommend Council to:

1. approve the treasury management strategy 2018/19 set out in appendix A to the head of finance's report;

2. approve the prudential indicators and limits for 2018/19 to 2020/21 as set out in table 2, appendix A to the head of finance's report;

3. approve the annual investment strategy set out in appendix A (paragraphs 18 to 59), subject to the head of finance consulting the co-chair of the Joint Audit and Governance Committee before investing in any Non-UCITS Retail Scheme, and the lending criteria detailed in table 5 to the head of finance's report.

49 Work programme

The committee reviewed and noted its work programme.

The meeting closed at 8.30 pm

Chairman Date

Joint Audit and Governance Committee

Report of the Monitoring Officer

Author: Susan Harbour

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DATE: 26 March 2018

Annual Report on the Councillors' Code of Conduct

Recommendation(s)

To note the annual report for the 2016-17 municipal year.

Purpose of Report

1. The purpose of the report is to update the Joint Audit and Governance Committee on complaints received under the Councillors' code of conduct and, where concluded, the outcome.

Strategic Objectives

2. High standards of conduct underpin all of the councils' work and the achievement of both councils' strategic objectives.

Background

3. Since 2012, district councils have had direct responsibility for Standards in Public Life, not only for our district councillors, but also for all parish councillors in our districts.
4. The Oxfordshire Secretaries and Monitoring Officers Group recommended a code of conduct which has been adopted by all of the district councils, the county council and almost all of the parish councils across both districts. At the current time, no changes are proposed. The code of conduct, is appended to this report.
5. The code of conduct is based on the seven principles of public life, or "Nolan" principles, which are: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

6. Although the councils have the responsibility for maintaining these standards, we are very limited in terms of sanctions, particularly when it comes to parish councillors. This, together with the fact that a number of parish complaints are between councillors and/or political activists, and the need to balance the public interest with the public purse, means that we often take a pro-active and/or alternative way to resolve disputes. This includes:
   - Giving advice to councillors/clerks which enables them to resolve their own difficulties or to use an alternative form of dispute resolution.
   - Refusing to accept complaints where there is no evidence of an attempt to resolve the matter informally, and no reasonable explanation of why this has not been explored.
   - Imposing a “high bar” when it comes to disputes between councillors and/or political activists.
   - Being clear when a matter is not a code of conduct matter and referring complainants to the relevant organisation such as the Oxfordshire Association of Local Councils.
   - Offering alternative forms of dealing with conflict, such as mediation, police involvement or training (after we have made an assessment of the circumstances).
7. On most occasions alternative interventions or advice are offered before a formal complaint is received, on others we use the alternatives as a form of “local resolution”.
8. The procedures were last ratified by the Joint Audit and Governance Committee in March 2016 and are operating well. No changes are proposed at the present time.
9. The vast majority of code of conduct work (apart from registers of interests) is done informally and consists of giving advice over the phone or by email. We do not routinely record this work but it is reasonably significant and is often valuable in avoiding more substantial problems later on.
10. Each council retains the services of two Independent Persons to assist in maintaining and promoting high ethical standards in the district councils and the parish councils in South and Vale. The role of “Independent Person” has been created by the Localism Act 2011. The Independent Persons both provide advice to the subject councillor and guidance to the Monitoring Officer.
11. We do record all complaints which come in to us formally (we insist that all are made in the proper format, unless there is a proper reason why this cannot be done).
12. In the administrative year May 2016 – 2017 the number of formal complaints we dealt with are as follows:

VALE

Case V.2016.08

Complaint:

- A complaint was made against a parish councillor for not registering a disclosable pecuniary interest, which gave him a conflict of interest at parish council level.

Decision:

- The Monitoring Officer made no findings of fact. The Monitoring Officer decided on no further action as:
    - the councillor had subsequently resigned and,
    - the error was that of the parish clerk who had amended the register of interest form but had not passed it on.

Independent Person:

- This facility was offered to the councillor, but he did not take it up.
- Given the decision, the views of the Independent Person were not sought by the Monitoring Officer.

Case V2017.01

Complaint:

- A complaint was made against a parish councillor for inappropriate fly posting.

Decision:

- The Monitoring Officer made no findings of fact. The Monitoring Officer decided on no further action as:
    - the alleged transgression was minor, non political and investigation would not be a good use of public funds.

Independent Person:

- The subject councillor made use of the Independent Person.
- The Independent Person gave his views to the Monitoring Officer and also submitted some text for the decision notice.

Case V.2015.04

This complaint was the only one throughout the period which was referred for investigation, and which incurred external costs, hence more information is provided on the matter.

Although this complaint was originally made in 2015, it was not resolved until 2017, as it was referred for investigation (see below).

Complaint:

- A complaint was made against a district councillor who was driven by a licensed taxi driver after a night out in a private capacity. There was a difference of opinion between the councillor and the driver about whether or not the driver had driven through a red light.

- The complainant alleged that during the discussion between himself and the councillor, the councillor told him that he was in a position of authority within the council and in a position to determine that his driver's licence was no longer valid. Thus moving the councillor from acting as a private citizen to (allegedly) acting in an official capacity.

Decision:

- The Monitoring Officer handled this complaint directly in the early stages. The Monitoring Officer followed the processes in the council's published code of conduct complaints procedures. This included writing to the subject councillor to gain his views of the allegation.
- After the initial assessment of the complaint and the response, the Monitoring Officer, in consultation with the Independent Person, took the decision to refer the matter to an independent investigator, Alex Oram of CH&I Associates, who had previously undertaken this type of work for South Oxfordshire District Council and who has expertise in this matter. The Monitoring Officer issued a decision notice to that effect.
- Alex Oram interviewed all parties and reviewed the evidence available. He then produced a final report.
- This report recommended that the councillor be offered the opportunity to seek a local resolution of the complaint. In the investigator's view this should involve the councillor offering the complainant an apology for the distress his actions caused. The Monitoring Officer and the Independent Person supported this course of action. The councillor accepted the recommendation and an apology has been given to the complainant.

Independent Person

- One of the Independent Persons was involved throughout the case: both in providing guidance to the Monitoring Officer on her approach, and in providing advice and support to the subject councillor.

SOUTH

Case S.2016.06

Complaint:

- A complaint was made against a parish councillor alleging unlawful treatment of an officer, resulting in dismissal.

Decision:

- The Monitoring Officer made no findings of fact. The Monitoring Officer decided on no further action as:
    - The actions were made by the entire council, not by a single councillor and were, therefore, outside of the code of conduct;
    - the actions related to employment law.

Independent person:

- The services of the Independent Person were offered to the subject councillor.
- The views of the Independent Person were not sought by the Monitoring Officer.

Cases S.2016.07, S.2016.08 and S.2016.09

Complaints:

- Parish Councillor X, plus a known political activist, complained about fellow Parish Councillor Y. Parish Councillor Y, complained about Parish Councillor X. The complaints were about emails which were exchanged, leaked and deemed to be insulting and malicious. Also Councillor X publicly called Councillor Y's mental health into question.

Decision

- The Monitoring Officer made no findings of fact. The Monitoring Officer decided on no further action as:
  - A district council officer had visited the parish and met with both councillors and the parish clerk in an attempt to resolve matters informally. Councillor X was not prepared to compromise or assist in any way.
  - The complaints were deemed to be politically motivated and were clearly tit-for-tat complaints.
  - The "bar" is set higher for complaints between councillors and politically active people than when the complaint comes from members of the public.

Independent Person

- The services of the Independent Person were offered to the subject councillor
- The views of the Independent Person were not sought by the Monitoring Officer.

Case S.2016.10

Complaint:

- Allegations against a district councillor that he was misusing or confusing his councillor role with a private role in relation to planning matters and land use, in particular that he had given a false statement to the police.

Decision:

- No formal decision was reached as the complainant decided to withdraw the complaint on the basis that he felt the councillor would have reconsidered his actions.

Independent Person

- The services of the Independent Person were offered to the subject councillor
- The views of the Independent Person were not sought by the Monitoring Officer.

Cases S.2016.12, S.2016.13 and S.2016.14

Complaints:

- Complaints were made against three councillors from Q Parish Council for allegedly interfering in a planning matter. This included trespass on land and giving false information to builders.

Decisions

- No further action as Q Parish Council was not the decision maker in planning matters and therefore the matter was not significant enough to pursue. Also, see below for more information on Q Parish Council.

Independent Person

- The services of the Independent Person were offered to the subject councillor.
- The views of the Independent Person were not sought by the Monitoring Officer.

Cases S.2016.15, S,2916.16, S.2016. 17 and S.2016.18

Complaints:

- Two councillors put in complaints regarding two other councillors, concerning their behaviour on Q Parish Council.

Decision

- The Monitoring Officer made no findings of fact. The Monitoring Officer decided on no further action as:
    - Both the complainants and the subject councillors were members of Q Parish Council. A “high bar” applies to dealing with complaints between councillors.
    - The complainants could not suggest a way of resolving the matter informally. However, representatives from South Oxfordshire District Council and the Oxfordshire Association of Local Councils met with the clerk, chairman and vice chairman. As a result of this meeting, training for the entire parish council has been arranged. It is hoped that this will go some way towards healing the rifts in the parish council. This also included issues raised in Cases S.2016.12 -14 above.

Independent Person

- The services of the Independent Person were offered to the subject councillors, who made good use of them.
- The views of the Independent Person were not sought by the Monitoring Officer.

Register of Interests

13. All councillors and co-optees at both parish and district level, are required to submit a register of their interests which is publicly available. All of these registers are signed off and published by the district council (Monitoring Officer). Members and co-optees are also required to keep their registers up to date. The democratic services team requests these documents from parish clerks (on behalf of their members) as well as from district councillors after election/co-option and sends reminders bi-annually for amendments to be registered.

14. There is an option for members/ co-optees to request that their addresses and similar identifiers are removed from the public register if this is “sensitive”. Until recently, we only had three councillors making this request (of about 1000 potential councillors). However, these requests are becoming more frequent. The Monitoring Officer has granted all requests in order to reduce potential risks to both the council and to individual members. With current trends in making contact (via email, messaging and social media) home addresses are becoming less

relevant. The original forms have the home addresses, but are not put in the public domain.

15. This area is being kept under review in light of the incoming General Data Protection Regulations and increased councillor awareness of the issues raised.

Financial Implications

16. The administration of code of conduct complaints is met from existing budgets. The Independent Persons undertakes their role voluntarily. The cost of CH&I Associates was £4338 In the matter of Case V.2015.04.

Legal Implications

17. The Localism Act 2011 requires councils to have a code of conduct which sets out the standards expected of councillors in their official capacity. Councils must also have in place procedures to investigate and determine allegations against councillors.

Risks

18. If the councils fail to adopt and maintain a code of conduct and processes for the investigation of complaints, there is a risk to the councils' reputation and also the integrity of their corporate governance and decision making process. Both councils have these in place.
19. Using alternative methods of dispute resolution where there is no formal complaint, or where the parties agree, or where the Monitoring Officer suggests local resolution also presents no immediately identifiable risks.

Other Implications

20. None.

Conclusion

21. This report is for the Joint Audit Governance Committee to note and to be aware of the work of the Monitoring Officer in respect of Councillor code of conduct matters.

Background Papers

None.

Code of conduct

1. This code of conduct is adopted pursuant to the council's duty to promote and maintain high standards of conduct by members and co-opted members[1] of the council.

2. This code applies to you as a member or co-opted member of this council when you act in that role and it is your responsibility to comply with the provisions of this code.

SELFLESSNESS

3. You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself.

OBJECTIVITY

4. In carrying out public business you must make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.

ACCOUNTABILITY

5. You are accountable for your decisions and actions to the public and must submit yourself to whatever scrutiny is appropriate to your office.

OPENNESS

6. You must be as open as possible about your actions and those of your council, and must be prepared to give reasons for those actions.

HONESTY AND INTEGRITY

7. You must not place yourself in situations where your honesty and integrity may be questioned, must not behave improperly and must on all occasions avoid the appearance of such behaviour.

LEADERSHIP

8. You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example in a way that secures or preserves public confidence.

GENERAL OBLIGATIONS

9. You must treat others with respect and ensure that you are aware of and comply with all legal obligations that apply to you as a member or co-opted member of the council and act within the law.

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[1] A "co-opted member" for the purpose of this code is, as defined in the Localism Act section 27 (4) "a person who is not a member of the council but who
a) is a member of any committee or sub-committee of the council, or
b) is a member of, and represents the council on, any joint committee or joint sub-committee of the council;
and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub committee".

10. You must not bully any person.

11. You must not do anything that compromises or is likely to compromise the impartiality of those who work for, or on behalf of the council.

12. You must not disclose information given to you in confidence by anyone, or information acquired by you of which you are aware, or ought reasonably to be aware, is of a confidential nature except where:

    (a) you have the consent of a person authorised to give it;
    (b) you are required by law to do so;
    (c) the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or
    (d) the disclosure is:
        (i) reasonable and in the public interest; and
        (ii) made in good faith and in compliance with the reasonable requirements of the council.

13. You must not improperly use knowledge gained solely as a result of your role as a member for your own personal advantage.

14. When making decisions on behalf of or as part of the council you must have regard to any professional advice provided to you by the council's officers.

15. When using or authorising the use by others of the resources of the council:

    (a) you must act in accordance with the council's reasonable requirements; and
    (b) you must make sure that you do not use resources improperly for political purposes and do not use them at all for party political purposes.

REGISTERING AND DECLARING INTERESTS

16. You must, within 28 days of taking office as a member or co-opted member, notify the council's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners, as follows:

Subject	**Prescribed description**
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations

Subject	Prescribed description
	(Consolidation) Act 1992(3).
Contracts	Any contract which is made between the people referred to in paragraph 16 (or a body in which the relevant person has a beneficial interest) and the council - (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the council.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge)— (a) the landlord is the council; and (b) the tenant is a body in which you or those referred to in paragraph 16 have a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to your knowledge) has a place of business or land in the area of the council; and (b) either - (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you or those referred to in paragraph 16 has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

17. You must disclose the interest at any meeting of the council at which you are present, where you have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest[2]'.

18. Following any disclosure of an interest not on the council's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

19. Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. You must withdraw from the room or chamber when the meeting discusses and votes on the matter.

[2] A "sensitive interest" is described in the Localism Act 2011 as a member or co-opted member of a council having an interest, and the nature of the interest being such that the member or co-opted member, and the council's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

Audit and Governance Committee

Agenda Item 8

Report of Interim Audit Manager

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To: Audit and Governance Committee

DATE: 26 March 2018

Internal audit activity report quarter four 2017/2018

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 Sandy Bayley, Interim Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 422496.

Strategic Objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

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

2017/2018 Audit Reports

7. As at 13 March 2018, since the last audit and governance committee meeting, the following audits and follow up reviews have been completed:

   Completed Audits

   Full Assurance: 0
   Substantial Assurance: 0
   Satisfactory Assurance: 2
   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								
Treasury Management 17/18	Satisfactory	**2**	0	0	1	1	1	1
Payroll 17/18	Limited	**14**	6	6	5	5	3	3
Capital Accounting & Management 17/18	Limited	**5**	1	1	2	2	2	2
Sundry Debtors 17/18	Satisfactory	**5**	0	0	2	2	3	3
SODC								
None								
VWHDC								
None								

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing	No longer applicable
Joint							
Environmental Protection 16/17	Limited	10	7	3	0	0	0
Licensing 17/18	Satisfactory	5	1	2	2	0	0
HR Recruitment second report 1516	Limited	7	2	4	1	0	0
SODC							
None							
VWHDC							
The Beacon 17/18	Satisfactory	13	7	6	0	0	0

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. As discussed at the January 2018 audit and governance, the recommendations database is not currently in accordance with the revised management structure hence an update has not been provided for this meeting. The database will be updated, relaunched and reported to the July 2018 meeting.

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.

SANDY BAYLEY
INTERIM AUDIT MANAGER

1. Payroll 2017/2018

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to payroll. The audit has been undertaken in accordance with the 2017/2018 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 29. The audit approach is provided in the audit framework in Appendix 1.

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 regarding pay which are available to relevant council and Capita staff;
- payroll system parameters are up-to-date and appropriate;
- amendments to standing data are appropriately authorised, documented and actioned promptly, including:
  - starters and leavers;
  - overtime;
  - additions/deductions or variations to pay, e.g. pay rises;
  - personal data;
  - sickness.
- data and information is held and transferred between the councils, Capita payroll, Capita HR and Capita accountancy securely, accurately and in a timely manner;
- Capita payroll review the pay run files to confirm accuracy of pay prior to it being sent to the councils for approval;
- payroll reconciliations are accurate, timely and independently reviewed;
- payroll records are regularly reconciled with HR's establishment listing and appropriate actions are taken to address any discrepancies;
- data migration from the IAW system to the ResourceLink system was reconciled, accurate and independently reviewed prior to the go live date.

2. BACKGROUND

2.1 As a part of five councils' partnership (5CP), Capita continue to provide the payroll service and the councils' HR service was fully outsourced to Capita on 1 October 2016. In June 2017, the HR service moved from the Capita office based in Sheffield to the office based in Belfast.

2.2 Payroll payments are made through BACS and from June 2017, Capita started to process payroll data through the ResourceLink system having moved from the Ingenuity At Work (IAW) payroll system. In August 2017, Capita migrated HR and payroll data from the councils' HR system (OpenHR) and the Ingenuity At Work (IAW) payroll system to the ResourceLink system and now both the councils' HR and payroll data is fully integrated. It is noted that the ResourceLink system fully went live in September 2017.

2.3 As at the end of December 2017, the number of employees that had their payments processed through Capita payroll was 375. This comprised of 233 SODC employees and 142 VWHDC employees. From reviewing the general ledger, the payroll costs, i.e. basic pay, national insurance, allowance, etc. for December 2017, were £1,293,737.10, of which £815,135.95 was for SODC and £478,601.15 was for VWHDC.

3. PREVIOUS AUDIT REPORTS

3.1 Payroll was last subject to an internal audit review in March 2017, and 11 recommendations were raised. All 11 recommendations were agreed and a limited assurance opinion was issued.

3.2 Of the 11 recommendations, four have been implemented, three were not implemented and four recommendations are no longer applicable. It is noted that of the three recommendations not implemented, one has been superseded, therefore the recommendation has not been carried forward. Two recommendations have been restated as part of this review (Recs 1-2).

4. 2017/2018 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 14 recommendations have been raised in this review. Six high risk, five medium risk and three low risk.

5. MAIN FINDINGS

5.1 Policies & procedures

5.1.1 As part of the five councils' partnership (5CP), a service delivery plan (SDP) has been developed stating the service that will be provided. A 5CP HR client team is in also place to manage the contract and ensure that an acceptable level of service is provided to the councils through performance reporting and monthly meetings with Capita. Review of the October 2017 performance report found that the HR team (5CP client) undertake a sufficient level of reviewing and scrutinising as requests for rectification plans are made for areas of underperformance and rectification plans are rejected when satisfactory processes are not put in place to improve performance.

5.1.2 HR policies are in place that cover aspects of officers' pay, i.e. annual leave and bank holiday policy, on call and standby policy, overtime and allowance policy, etc. Review of the policies found they require updating as they were last revised prior to the commencement of 5CP, and the policies currently do not reflect the new ways of working. The councils' intranet guides officers to the AskHR system where the HR policies are held. Review confirmed that all relevant policies are kept on AskHR.

5.1.3 The HR and payroll team (Capita) has in place a business process directory that covers the HR and payroll processes. Review found that the directory was version controlled and was last reviewed and updated in June 2017. Review

also confirmed that HR and payroll processes are documented, using print screens, to show the step-by-step process when using and entering details onto the ResourceLink system.

5.1.4 Area assurance: Substantial
One recommendation has been restated as a result of our work in this area (Rec 1).

5.2 **System parameters**

5.2.1 The Capita payroll team leader, based in Carlisle, was responsible for maintaining the IAW system parameters. HMRC notify changes to statutory deductions and tax codes, and the council line managers, via Capita HR, notify of any other changes to officers pay, such as new starters, leavers and increments. It is noted that from June 2017, both payroll and HR moved to the Capita team based in Belfast, and the payroll system changed to ResourceLink. The 2017/2018 HMRC parameters were updated on the IAW system and were migrated to ResourceLink. The migration of payroll information is reviewed in objective eight, however, a sample of 50 (25 SODC & 25 VWHDC) council officers were selected and reviewed to confirm that the HMRC parameters were appropriately migrated. Review found that all 50 officers' parameters were migrated appropriately to ResourceLink.

5.2.2 Access to ResourceLink is managed by the system administrators (Capita) based at Belfast. Appropriate controls are in place for system access as:

- an operator id and password is required to access the system;
- the system parameter ensures that the operators change their password every 45 days;
- the password is a combination of uppercase, lowercase and numbers; and
- three unsuccessful attempts to log on disables the access.

Operator access is reviewed on a six monthly basis, however review of the operators' access list found that of the 90 operators, three operators had two access logins and 16 operators last used the system pre-January 2017, but their access was still active.

5.2.3 Area assurance: Substantial
One recommendation has been restated as a result of our work in this area (Rec 2).

5.3 **Amendments to standing data**

5.3.1 Since the transfer of HR and payroll to the 5CP systems, the responsibility of sending HR and payroll information, i.e. new starters, leavers, amendments to data, falls to council line managers. The notification forms, i.e. request to recruit, appointment, starters, leavers, contract variations and extension to contract, are in place, available via AskHR and should be completed and signed by the line manager. It is noted that, apart from for leavers, the notification forms should also be signed by the service area's accountant (Capita) to confirm that the cost centre code quoted on the forms are correct. Review of the notification form templates confirmed that they are up-to-date.

5.3.2 ResourceLink fully went live on 11 September 2017 and the amendment forms are on the system for line managers to complete. Review of amendment forms

on ResourceLink against the notification forms confirmed that sufficient information is requested on ResourceLink. Currently however, the line managers have not been encouraged to use ResourceLink as, at the time of the review, the 5CP HR client team are not fully satisfied with the system.

5.3.3 Internal audit reviewed a sample of:

- 33 new starters (25 SODC and eight (100 per cent) VWHDC),
- 38 leavers (24 (100 per cent) SODC and 14 (100 per cent) VWHDC), and
- 37 amendments to pay and personal data (23 (100 per cent) SODC and 14 (100 per cent) VWHDC).

This sample covered the period before and after the payroll service moved to the Belfast office. Review found that:

- of the 108 notification forms reviewed, only 28 (16 SODC & ten VWHDC) utilised the appropriate and most up-to-date forms;
- the notification of appointment and leaver forms were all fully completed, however three (one SODC and two VWHDC) variation to contract forms were not fully completed as the cost centre codes were not stated. It is noted that the contract variations were for officers taking up interim positions in newly established posts due to the councils' interim restructure.
- the notification forms were authorised by an appropriate officer.
- none of the notification of appointment forms and variation to contract forms were approved by the service accountant. This may be due to timing factors with the introduction of the new process;
- all new starters and leavers were paid on the next available pay run. However, five (SODC) new starters' first month's pay and seven (four SODC & three VWHDC) leavers' last month's pay were incorrectly calculated.
- 15 (eight SODC & seven VWHDC) variation to contracts' mid-month pay adjustments were incorrect calculated.

5.3.4 During the leavers testing, internal audit established that three different calculations are used when calculating mid-month salary alternations, full-time and part-time annual leave. Due to this, a review was undertaken to confirm that the three different calculations used were consistent. The calculation used:

- to pro-rata monthly salary, is annual salary divided by the number of months in year, divided by the number of working days in month, multiplied by the actual days worked in the month;
- for outstanding annual leave (full-time), is annual salary, divided by the number of working days in the year, multiplied by the number of outstanding annual leave days remaining after pro-rata;
- for outstanding annual leave (part-time), is hourly salary, multiplied by the number of outstanding annual leave hours remaining after pro-rata.

Review found that salary calculations are not undertaken consistently as all three gave a different daily rate, which could result in a difference in pay calculations for full or part-time officers working the same period on the same grade.

5.3.5 In September 2017, the HR and payroll team (Capita) conducted an investigation on all new starters, leavers and mid-month variation to contracts since June 2017 to confirm that salary calculations, due to mid-month changes, were appropriate. The investigation found that 41 (30 SODC and 11 VWHDC) officers' pay was incorrectly calculated, of which 27 (18 SODC and nine VWHDC) were overpaid and 14 (12 SODC and two VWHDC) were underpaid. From the internal audit sample checks set out in 5.3.3, 27 (17 SODC and ten

VWHDC) incorrectly calculated salary payments were found, of which 23 were also identified by Capita's investigation. The four not identified by Capita were:

- for one SODC leaver, Capita calculated the annual leave entitlement, but did not deduct the amount from their last month's salary;
- for another SODC leaver, Capita rounded up the outstanding annual leave, which is not consistent as there is evidence that other leavers' annual leave was not rounded up or down;
- for two (one SODC & one VWHDC) amendments to pay, the SODC officer was overpaid by £84.59, while the VWHDC officer was overpaid by £29.00.

It is noted that discrepancies identified from Capita's investigation have been corrected.

5.3.6 Capita payroll receive overtime claim forms from authorising line managers. The claim forms are entered by one payroll officer (Capita) and checked by another to confirm that the amounts have been entered onto the payroll system appropriately. Review of 48 (24 SODC and 24 VWHDC) overtime claim forms found that:

- all overtime claim forms were completed and signed by the officer claiming overtime;
- all officers' claiming overtime used to the most up-to-date claim form to evidence that they comply with European Working Time regulations;
- all claim forms were authorised by an appropriate officer;
- all claim forms were received by Capita payroll prior to the overtime being paid;
- four SODC claims were incorrectly calculated. Of which, for three the payroll team (Capita) used the actual time and not the decimalised time to calculate the overtime pay; and for the other claim form, the claimant used the wrong rate which was not picked up by their line manager.

5.3.7 Area assurance: Limited
Ten recommendations have been made as a result of our work in this area (Recs 3-12).

5.4 **Security of data**

5.4.1 Suitable security measures are in place between the councils and the payroll team (Capita) for both holding and transferring payroll data. The payroll team (Capita) utilise a secure email system called Voltage SecureMail when sending the payroll run reports to the councils for approval. Voltage SecureMail encrypts the email and can only be opened by the recipient after their email address has been verified, by setting up an email and password. It is noted that all other payroll data and information is sent securely to officers via AskHR and the MyView systems, which requires the councils' officers to log onto using a username and password.

5.4.2 Internal audit reviewed office security at Capita's Belfast office during a visit in October 2017 and found that payroll data is held securely and a key card is required to enter and move within the offices. It was noted that the mechanism does not permit tailgating as individual card swipes are required. Hardcopy payroll data is currently kept in a metal cupboard that is locked at the close of everyday and the payroll data is scanned onto Capita's 5CP HR electronic shared drive on a monthly basis. Review confirmed that HR staff (Capita) that

are not working on the 5CP contract do not have access to the 5CP HR shared drive.

5.4.3 The councils' head of finance authorises the monthly BACS payroll run following checks made by both the 5CP finance client officer and 5CP HR client officer. It is noted that as the BACS authorisation does not contain any personal data, it is sent to the payroll team (Capita) via the standard unencrypted email system.

5.4.4 An escalation process is in place for all 5CP services, including HR and payroll, for the councils' officers to request, complain or raise a query. There are three stages to the escalation process for HR and payroll services. The councils' officers are aware of the process, which is available via the intranet and was also communicated via email in September 2017. Performance indicators are in place to manage requests, complaints and queries, however review found that the indicators only monitor the timeliness of responding or actioning the queries and do not monitor the quality and completeness of the responses and actions.

5.4.5 Area assurance: Substantial
One recommendation has been made as a result of our work in this area. (Rec 13).

5.5 **Payroll run review**

5.5.1 The payroll team (Capita) has in place a payroll runsheet, processing schedule and control form to ensure that the payroll run files are appropriate and submitted to the councils for approval and submission to BACs in a timely manner. The monthly payroll run files are cross-referenced and reconciled prior to the files being sent to the councils for payment authorisation. Checks are also undertaken by both the 5CP finance client team and 5CP HR client team prior to approval by the authorised signatory, which is the head of finance. It is noted that since October 2017, a strategic finance officer has been in place who is deputy Section 151 officer hence can also authorise payroll BACs payment.

5.5.2 Since June 2017, checks undertaken on the monthly payroll reports by both the 5CP finance client team and 5CP HR client team found discrepancies and on every occasion the payroll required a re-run. It is noted that both 5CP client teams check both the 5% and 10% variance reports. In October 2017, the payroll team (Capita) put additional controls in place, whereby the cross-referencing and reconciliations are independently checked before the payroll run files are sent to the councils. However, review of October 2017, November 2017 and December 2017 payroll run files found that both 5CP client teams are still logging queries. Of 165 (113 SODC & 52 VWHDC) queries logged in the three months, 156 (112 SODC & 44 VWHDC) were due to inadequate explanations given on the variance reports. Nine (one SODC and eight VWHDC) queries required payroll to be re-run and were due to system errors, the councils not providing sufficient information to the payroll team (Capita) and calculation errors.

5.5.3 Area assurance: Substantial
One recommendation has been made as a result of our work in this area (Rec 14).

5.6 **Payroll reconciliation**

5.6.1 The accountancy team (Capita) undertake monthly payroll to general ledger reconciliations, which also include checks on payovers made to both HMRC and third parties, i.e. Unison, and checks on child care vouchers. Review of ten (five SODC and five VWHDC) monthly payroll to general ledger reconciliations confirmed that there is evidence that reconciliations are undertaken in a timely manner and signed by the appropriate officers. The accountancy team (Capita) reviews any differences identified, which are either journaled within the general ledger or resolved with the payroll team (Capita) as required.

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

5.7 **Establishment listing reconciliation**

5.7.1 The establishment list is maintained by the 5CP HR client team and on a monthly basis is sent to the 5CP HR client team for review. It is noted that the reporting of the establishment list is currently being reviewed and discussed with the 5CP HR client team. In 2017/2018 to date (December 2017), the establishment list has not been reconciled to the payroll records. However, due to both SODC and VWHDC's payroll and HR records moving from separate systems to the same system, ResourceLink, a reconciliation is no longer required to be undertaken.

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

5.8 **Data migration**

5.8.1 The payroll team (Capita) started paying the councils' officers via ResourceLink from June 2017. Prior to going live, the payroll team (Capita) undertook four parallel runs with the IAW system and the runs found discrepancies between the two payroll systems, primarily due to the way both systems calculated sickness and National Insurance. The 5CP HR client team received adequate explanations for the discrepancies. As part of April 2017 parallel run, a reconciliation between ResourceLink and the Agresso system was undertaken to confirm that the all postings to the general ledger were correct. Discrepancies were identified and the head of finance (S151 officer) requested a further reconciliation to be undertaken in May 2017, however this did not take place, and on the 7 June 2017 the SODC and VWHDC project lead agreed to go live with payroll on ResourceLink.

5.8.2 In August 2017, Northgate (system providers) migrated the HR data from OpenHR to the ResourceLink system. The HR and payroll team (Capita) undertook spot checks to confirm data migrated was accurate. A testing spreadsheet was developed and five tests were listed to be done; however, only two were undertaken. It is noted that sufficient reasons for not carrying out three tests were provided.

5.8.3 For the two tests undertaken, there were a number scenarios and records for one officer was selected for each scenario. Review of test one found that of 29 officers, one officer's working pattern did not accurately migrate over to ResourceLink and there was no evidence on the testing spreadsheet to confirm that the error was rectified. Review of test two found that of the eight officers selected, three officers' training bookings were not accurately migrated and again, there was no evidence on the testing spreadsheet to confirm that the error was rectified. The testing spreadsheet recorded the Capita staff member conducting the test, but did not state if the tests were independently reviewed or any actions needed as a result of the tests.

5.8.4 Internal audit noted that the samples selected for the two tests were not deemed sufficient as:

- one employee selected had left the councils in 2014;
- Capita's cutover plan suggested a 10% check on overall integrity of mitigated data. However, the tests only covered working patterns and training. Hence data such as annual leave was not checked at the time of migration.
- Within the two areas tested, of the 375 officers' records migrated, only 29 records for test one and eight records for test two were undertaken.

As data migration has already been undertaken no recommendations have been raised. It is noted that there has been significant effort to address issues post migration undertaken by the HR and payroll team (Capita) and the 5CP HR client team to rectify errors since the data migration.

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

6. ACKNOWLEDGEMENTS

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	**Recs 4, 6, 8, 9, 10, and 11**
Medium risk	Other control weakness for local management action	**Recs 1, 5, 7, 13 and 14**
Low risk	Recommended best practice to improve overall control	**Recs 2, 3 and 12**

OBSERVATIONS AND RECOMMENDATIONS

PREVIOUS RECOMMENDATIONS RESTATED

1. Policies and procedures (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Policies are up to date, version controlled and reviewed in accordance with agreed timescales. Findings From review of the HR policies relating to pay, the following required updating as they were last reviewed prior to the 5CP arrangements (August 2016): • Annual leave & bank holidays policy - October 2011; • Annualised hours policy - May 2016; • Learning & development policy - September 2014; • Leave policy - May 2015; • Market premium - July 2013; • Maternity, paternity, adoption & surrogacy policy - May 2015; • Sickness absence policy - April 2013; • Shared parental leave policy - February 2015; • Travel & expenses policy - November 2014; • Recruitment and Selection, November 2014; • Eye test and payment for glasses procedure, April 2014. As stated in the previous audit review, there is insufficient version control within the policies and the travel and expenses policy still contains reference to the council site at Crowmarsh. Risk If version control is not fully completed and up-to-date, there is a risk of policies not being reviewed and updated in a timely manner and not reflecting current practices, which may lead to incorrect practices being followed.	a) Version control on the policies should be enhanced to include: • the author of the policy; • the date the policy was approved and by whom; • the next review date. b) Policies that still refer to Crowmarsh Gifford, i.e. travel and expenses policy, should be reviewed and amended to reflect Milton Park as the council's base premises. c) The HR policies should be reviewed in accordance with agreed timescales and reflect any changes due to the 5CP arrangements.	Head of Service - Five Councils (Capita) Senior HR Advisor (Capita) Strategic HR Business Partner

Capita Management Response	Implementation Due Date
Recommendation is **Agreed** Presently, SODC and VWHDC have requested that no policy changes are implemented. In order to progress this recommendation, the prioritisation of policies will need to be agreed with the SODC and VWHDC HR lead and dates agreed for amendments and updated versions. This will form part of the Annual Service Delivery Plan. Management response: Head of Service - Five Councils (Capita)	30 September 2018

Strategic HR Response	
Recommendation is **Agreed** Strategic HR resource joined the councils in December 2017. In-house strategic HR is leading a review of the HR framework, which includes reviewing and updating all HR policies. Management response: Strategic HR Business Partner	

2. User access - payroll system (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Regular reviews are in place to ensure access to the payroll system is restricted to relevant officers. Findings A list of ResourceLink operators was obtained and review found that there are 90 operator IDs set up to have access to the 5CP contract. Of the 90 operators: • three operators were set up twice; • 16 operators last used the ResourceLink system pre-2017, of which only two were disabled. Risk If user access to the payroll system is not regularly reviewed, there is a risk of unauthorised use which could result in potentially fraudulent activities.	a) All inactive and duplicate operator accounts should be deactivated or removed from the payroll system as soon as possible. b) A regular pro-active review of operators on the ResourceLink system should be undertaken to ensure all staff members still require access.	Service Director (Capita)

Capita Management Response	Implementation Due Date
Recommendation is **Agreed** a) Capita will undertake an audit of all ResourceLink users, and delete all non-users, leavers and duplicate records.	15 March 2018
b) Capita will ensure upon completion of the audit in recommendation A, that a regular check is completed on a set date. It is current Shared Service Centre practice that this is completed approximately every 35 days throughout the year.	20 April 2018 and approximately every 35 days thereafter
Management response: Operations Director (Capita)	

AMENDMENTS TO STANDING DATA

3. Update request to recruit form (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice The most up-to-date request to recruit form is in place and used, and the form is signed by the service accountant confirming the correct cost centre code. Findings Review of the request to recruit form, which can be found on AskHR, found that the form requires updating as it requires a signature from the HR	The request to recruit form is reviewed and updated to include service accountant (Capita) as a signatory, so that the cost centre code is confirmed prior to the post being added onto the ResourceLink system.	Service Director (Capita)

business partner and not the service accountant. Risk If the request to form is not updated, there is a risk of incorrect general ledger coding information being submitted to the payroll team.		
Capita Management Response		**Implementation Due Date**
Recommendation is **Agreed** A copy of the amended form has been provided. Amendments are highlighted for ease of reference**.** One additional change has been made to the offer letter, also provided. Management response: Service Director (Capita)		Implemented
HR Client Management Response		
Recommendation is **Agreed** Capita to confirm that the operations team in Belfast have been instructed not to act on work request without checking that there are 2 signatures as required (not checking they are the right signatures, that is a council side responsibility). Management response: HR manager (5CP Client)		
Strategic HR Management Response		
Recommendation is **Agreed** Implemented - Updated form now on Ask HR. Management response: Strategic HR Business Partner		

4. ResourceLink training (High Risk)

Rationale	Recommendation	Responsibility
Best Practice All line managers are trained on the ResourceLink system. Findings From the 11 September 2017, the MyView system became fully operational and line managers can now submit new starters, leavers and any changes to contracts via the system. However, from conversations with the HR team (5CP client), ResourceLink is not 100% accurate. Therefore, manual inputting of information will be continued until the HR client team is satisfied. Due to this, none of the line managers have been fully trained on using the ResourceLink system. Risk If the line managers are not trained on the ResourceLink system, there is a risk of the managers not knowing how to complete forms on the system when there are new starters, leavers and when updating any contract changes.	After the councils are satisfied with the accuracy of the data on the ResourceLink system, all line managers should be given sufficient training so they are aware of what is required when completing new starters, leavers and updating any changes to contract details on the system.	Head of Service - Five Councils (Capita) Strategic HR Business Partner

Capita Management Response	Implementation Due Date
Recommendation is **Agreed** Capita will support the provision of additional training as necessary to upskill managers. In addition, we will provide quick guidance notes. The Council will need to review its Induction Procedure to ensure new joiners receive appropriate training. Management response: Head of Service - Five Councils (Capita)	30 July 2018
HR Client Response	
Recommendation is **Agreed** The development of induction procedure training requirements will need to be part of the annual training plan (which includes induction) agreed with Capita. Management response: HR Manager (5CP Client)	
Strategic HR Response	
Recommendation is **Agreed** As part of strategic HR's review of the HR framework, the corporate induction and training plan is being reviewed and will include systems training where relevant. Management response: Strategic HR Business Partner	

5. Notification forms (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice The most up-to-date notification forms are used, fully completed and signed by the service accountant to confirm the cost centre code. Findings Internal audit's sample testing, as per 5.3.3, found that: • none of the notification of appointment forms for new starters were approved by the service accountant (Capita) to confirm that the (recharge) cost centre codes were correct; • the notification of appointment forms used were not up-to-date as they either had the SODC & VWHDC logo, and not the 5CP logo, or still stated HR business partner and did not state service accountant (Capita); • 12 (eight SODC & four VWHDC) notification of leave forms were not the most up-to-date forms as they still had the SODC & VWHDC logo; • three (one SODC & two VWHDC) amendment forms were not fully completed as cost centre codes were not stated. It is noted that the amendments were due to officers taking up interim positions in newly	Whilst the pre ResourceLink: • notification of appointment forms, • notification of leaver forms, and • contract variation forms are being used, a reminder should be sent to all line managers to: • fully complete the form, so that there are no gaps on ResourceLink; • confirm from their service accountant (Capita) the cost centre code for the post and to ensure that the accountant (Capita) signs the form; • use the correct and most up-to-date form, which can be found on AskHR.	Service Director (Capita)

established posts due to an interim restructure within the councils; • 34 (22 SODC & 12 VWHDC) amendment forms used were not up-to-date forms as they still stated HR business partner and did not state service accountant (Capita); • none of the amendment forms were signed by the service accountant (Capita). Risk If the most up-to-date notification forms are not, there is a risk of missing and/or inaccurate information being sent to the HR team (Capita).		
Capita Management Response		**Implementation Due Date**
Recommendation is **Agreed** A copy of the amended forms has been provided. Amendments are highlighted for ease of reference. Capita will also provide quick guidance notes. Management response: Head of Service - Five Councils (Capita)		31 March 2018
Strategic HR Management Response		
Recommendation is **Agreed** This will be included in the next corporate communications. Management response: Strategic HR Business Partner		

6. Mid-month salary calculations (High Risk)

Rationale	Recommendation	Responsibility
Best Practice All mid-month salary calculations are independently checked to confirm accuracy. Findings Internal audit's sample testing, as per 5.3.3, found that the mid-month salary calculation was incorrect for the following: • Five (SODC) new starters' first month's salary; • seven (four SODC & three VWHDC) leavers last month's salary; • 15 (eight SODC & seven VWHDC) mid-month salary calculations. In September 2017, Capita undertook an investigation on all new starters, leavers and mid-month changes since June 2017 (when the Capita team in Belfast took over HR & payroll) to confirm that salary calculations, due to mid-month changes, were appropriate. From the investigation, Capita found 41 mid-month salaries were incorrectly calculated. Risk	For any mid-month salary calculations, new starters, leavers or changes to contract, payroll team (Capita) should independently check to confirm that the month's salary is calculated correctly.	Service Director (Capita)

If mid-month calculations are not independently checked, there is a risk of errors being made and not picked up resulting in officers being either over or under paid.		
Capita Management Response		**Implementation Due Date**
Recommendation is **Agreed** Capita have reviewed and updated its payroll control documents to ensure that all calculation as described above, are independently reviewed and sense checked for accuracy prior to payroll processing. Management response: Service Director (Capita)		Implemented
Internal Audit Comment		
Whilst it is acknowledged the control document is in place and used, errors continue to be identified on payroll runs.		To be reviewed as part of the payroll follow up review.

7. Calculating annual leave (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice A consistent approach is taken when calculating the annual leave for leavers' final salary payment. Findings Review of 38 leavers found that 16 (13 SODC and three VWHDC) were either owed annual leave payment after pro-rata or owe the council annual leave payment after pro-rata. Of the 16, one SODC leaver's annual entitlement was rounded up to the nearest whole number. It is noted that the other 15 leavers' annual leave entitlements were kept to one decimal point, therefore there is a lack of consistency when calculating leaver's annual leave. Risk If a consistent approach is not taken when calculating annual leave, there is a risk of some leavers being disadvantaged.	A decision should be made to ensure that a consistent approach is taken when calculating the annual leave for the leaver's final salary, to either round up/down to the nearest day or to one decimal point.	Head of Corporate Services
Strategic HR Management Response		**Implementation Due Date**
Recommendation is **Agreed** It has been confirmed that annual leave calculations showed to be rounded up to the nearest half day. This has been communicated to both Capita and 5CP HR client team. Management response: Strategic HR Business Partner		Implemented

8. Incorrect calculations (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Mid-month salary adjustment calculations are appropriate. Findings From cross-referencing both the investigation report and the audit review, internal audit found that two (SODC) leavers and two (one SODC & one VWHDC) amendments to pay were not identified by the payroll team (Capita): • one SODC leaver did not have payment taken off for annual leave taken being more than the pro rata amount due, even though the payroll team (Capita) undertook the annual leave calculation; • one SODC leaver's annual leave entitlement was rounded up to the nearest whole number when it should have rounded to one decimal point for a consistent approach. • two (one SODC & one VWHDC) mid-month amendments to pay were calculated incorrectly and overpaid. Risk If salary adjustments are not calculated appropriately, there is a risk of over or underpayments being made to officers.	The four calculation errors not recorded in Capita's report during their investigation, should be reviewed and a decision should be made by the councils regarding the next action taken.	Service Director (Capita)

Capita Management Response	Implementation Due Date
Recommendation is **Agreed** Capita will review and provide the council with outcomes for advice on next action. Management response: Operations Director (Capita)	15 March 2018

HR Client Management Response
Recommendation is **Agreed** Depending on the outcome this may need to be reflected in the current draft rectification plan for payroll KPI failure. Management response: HR Manager (5CP Client)

9. Salary calculation (High Risk)

Rationale	Recommendation	Responsibility
Best Practice A consistent approach is in place when calculating salary mid-month adjustments and leaver's annual leave pay resulting in consistent pay rates for part-time and full-time officers. Findings During the review of leavers' final salary calculations, internal audit established that three different calculations are used by the	a) For a consistent approach, the councils should decide on one calculation when calculating salary mid-month adjustments and leaver's annual leave pay. b) The decision should be proposed to the relevant stakeholders, i.e. Unison,	Head of Corporate Services

payroll team (Capita) when calculating pro-rata salary adjustment, full-time and part-time leaver's annual leave.

The three calculations all give a different daily rate, which is not a consistent approach. Internal audit used October 2017 as an example, one day's pay can be:

Grade & SCP	Annual Salary (AS)	Hourly Salary (HS)
G6 SCP29	£33,225.00	£17.2214
Calculation to pro-rata monthly salary AS / No. of Months in Year / No. of Working (W) Days in Month = Daily Rate £33,225.00 / 12 / 22 (Oct17) = **£125.85**		
Calculation for outstanding annual leave (full-time) AS / No. of W Days in Year = Daily Rate £33,225.00 / 261 = **£127.30**		
Calculation for outstanding annual leave (part-time) HS / No. of W Hours in the Day = Daily Rate £17.2214 / 7.4 = **£127.44**		

Risk
If calculations are not undertaken in a consistent manner, there is a risk of staff being disadvantaged.

and approved in line with the councils' joint constitution.

c) After approval, Capita should be made aware of the decision and when to start using that one calculation.

d) The calculation should also be used by the councils when calculating the hourly rate on the pay scales, which is available to all staff via the councils' intranet site.

Strategic HR Management Response	Implementation Due Date
Recommendation is **Agreed** The head of corporate services, head of finance and the head of paid services will discuss and consult, and a decision will be communicated. Management response: Strategic HR Business Partner	30 April 2018

10. Overtime incorrectly calculated (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Staff are appropriately paid overtime. Findings Review of 48 (24 SODC and 24 VWHDC) overtime claim forms found that four SODC claimants' pay was incorrectly calculated. Of which, for three officers, the payroll team (Capita) used the actual time and not the decimalised time to calculate the overtime pay; and for the other one, the claimant used the wrong rate which was also not picked up by their line manager. Risk If overtime calculations are not made in a consistent manner, there is a risk of	The incorrect overtime claim amounts identified should be reviewed and appropriate action taken.	Service Director (Capita)

the council making under or over payments to employees.		
Capita Management Response		**Implementation Due Date**
Recommendation is **Agreed** Capita will review the four cases highlighted and seek confirmation from the council on the agreed course of action to rectify. Management response: Service Director (Capita)		15 March 2018
HR Client Management Response		
Recommendation is **Agreed** Depending on the outcome this may need to be reflected in the current draft rectification plan for payroll KPI failure. Management response: HR Manager (5CP Client)		

11. Overtime calculation review (High Risk)

Rationale	Recommendation	Responsibility
Best Practice The overtime hours and minutes claimed is decimalised, prior to overtime being calculated. Findings Review of 48 overtime/standby claim forms found that three SODC claims were incorrectly calculated, as the payroll team (Capita) used the actual time and not the decimalised time to calculate the overtime pay, e.g. 7 hours 15 minutes was counted as 7.15 hours rather than 7.25 hours. It is not evident how many further claims may be incorrectly paid. Risk If overtime calculations are not made in a consistent manner, there is a risk of the council making under or over payments to employees.	a) A review should be undertaken of overtime claims since June 2017 to confirm that the amount of overtime claimed is decimalised and correctly paid. b) If incorrectly paid, the payroll team (Capita) should take appropriate action.	Service Director (Capita)
Capita Management Response		**Implementation Due Date**
Recommendation is **Agreed.** Capita will review the three cases and seek confirmation from the council on the agreed course of action to rectify. Management response: Service Director (Capita)		15 March 2018

12. Overtime claim checks (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Line managers appropriately check all overtime claims prior to approval. Findings Review of 48 overtime/standby claim forms found that one SODC claimant	A reminder should be sent to all line managers to fully and accurately check all overtime claims prior to approval.	Strategic HR Business Partner

was paid incorrectly, as the claimant used the wrong rate which was not picked up by their line manager. Risk If line managers do not appropriately check overtime claims, there is a risk of officers claiming additional hours that they haven't worked.		
Strategic HR Management Response		**Implementation Due Date**
Recommendation is **Agreed** This will be included in the next corporate communications. Management response: Strategic HR Business Partner		31 March 2018

SECURITY OF DATA

13. Performance Management (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Performance indicators are in place to measure the quality, completeness and timeliness of responses and actions undertaken. Findings As part of the 5CP contract, HR & payroll performance indicators are in place to manage complaints and queries. However, review found that the performance indicators only measure the timeliness of the response and not the quality and completeness of the action or response the councils receive from the HR & payroll team (Capita), which is just as important as timeliness. Risk If performance indicators are not in place to include quality and completeness of actions or responses to the councils, there is a risk of council officers being dissatisfied and time being wasted due to complaints and queries not dealt with satisfactorily first time.	The 5CP performance indicators should be revised to also measure the quality and completeness of the responses and actions undertaken to any HR and payroll requests, complaints and queries.	Interim Partnership Director (5CP Client) Operations Director (Capita)
Capita Management Response		**Implementation Due Date**
Recommendation is **Agreed** We're in agreement that a quick, but poor quality, response helps no one, but identifying an acceptable measure of quality is always a challenge as it is difficult to exclude any vestiges of subjectivity. For instance, whether a response is deemed to be of the appropriate standard may be dependent on whether the complainant disagrees with a council policy, or feels the HR service should perform in a way that is not in line with the contracted service. We will seek to address this within a wider joint review of the performance management regime that we will target to undertake once Target Operating Measure (TOM) has been reached and the services have bedded in. In the meantime, we will work together,		28 February 2019

informally, to ascertain and improve where necessary service user satisfaction. Management response: Interim Partnership Director (5CP Client) and Operations Director (Capita)	
Councils' Management Response	
Recommendation is **Agreed** As for a PI, when the time comes I'll be minded to aim for some sort of customer satisfaction measure. Management response: Head of Partnership and Insight	

PAYROLL RUN REVIEW

14. Variance explanations (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Clear explanations are provided on both 5% and 10% variance reports. Findings Since the additional controls of independent checking of payroll run files by Capita have been in place, queries are still being logged by both the finance officer (5CP client) and the HR officer (5CP client). A review of the last three months of query logs (October, November & December 2017) established that 113 SODC & 52 VWHDC queries were logged. Of these, 112 SODC & 44 VWHDC were due to the payroll team (Capita) not clearly explaining the % variances on the reports. Risk If clear explanations for variances are not provided, there is a risk of both the finance team (5CP client) and the HR team (5CP client) spending unnecessary time querying the variances.	On both the 5% and 10% variance reports, clear explanations should be given for each variance so that both the finance team (5CP client) and the HR team (5CP client) understand the reasons for the variances, which would result in less queries being made to the payroll team (Capita).	Service Director (Capita)
Capita Management Response		**Implementation Due Date**
Recommendation is **Agreed** Capita will ensure that all payroll staff involved in producing and explaining variances are briefed to ensure that variances are clearly and explicitly explained. Management response: Service Director (Capita)		31 March 2018

2. Capital management & Accounting 2017/2018

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to capital management and accounting. The audit has been undertaken in accordance with the 2017/2018 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC). The audit has a priority score of 21. The audit approach is provided in the audit framework in Appendix 1.

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

- the councils have an up-to-date capital financial strategy and asset management plan in order to develop and manage the capital programme;
- adequate monitoring is undertaken in relation to capital contracts and approved budgets;
- appropriate capital accounting arrangements are in place;
- there is adequate authorisation of additions, disposals, write-offs, transfers and amendments of the asset register;
- the asset register is regularly reconciled to other sources and adequate controls are in place over the completeness of the register;
- the property and asset management system is suitably maintained and updated.

2. BACKGROUND

2.1 As a part of five councils' partnership (5CP), Capita provide the accountancy service and Arcadis provide property services. It is noted that the contract for property services is between the councils and Vinci, and Vinci has sub-contracted out the management and running of property services to Arcadis. Both the accountancy team (Capita) and property team are responsible for capital management and accounting.

2.2 Capital management covers how the councils' assets are maintained and managed. Capital accounting looks at how capital is financed and accounted for, including the recording of assets in a register with an appropriate categorisation to determine how they are measured within the balance sheet.

2.3 Capital accounting is based on IFRS standards as implemented by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom. Transactions such as purchase/disposal of assets, depreciation and revaluation are recorded in the accounts. The annual financial statements, which include details of capital assets and capital expenditure, are reviewed by the councils' external auditors, Ernst and Young (EY).

2.4 Both SODC and VWHDC statement of accounts for 2016/2017 were approved by full Council in September 2017 and recorded the balance for asset values as:

	SODC	VWHDC
Property, plant and equipment	£29,149,000.00	£43,005,000.00
Investment properties	£5,075,000.00	£8,455,000.00
Intangible assets	£66,000.00	£98,000.00

3. PREVIOUS AUDIT REPORTS

3.1 Capital management and accounting was last subject to an internal audit review in March 2017, and five recommendations were raised. All five recommendations were agreed and a satisfactory assurance opinion was issued.

3.2 None of the five recommendations have been implemented. Five recommendations have been restated as part of this review (Recs 1-5).

4. 2017/2018 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 Five recommendations have been raised in this review. One high risk, two medium risk and two low risk.

5. MAIN FINDINGS

5.1 Capital financial strategy and asset management plan

5.1.1 The councils do not have an up-to-date capital strategy in place, as the last strategy was for the period 2010/11 to 2014/15. In December 2017, new CIPFA guidance was published on the prudential code for capital finance in local authorities, which requires all councils to have in place a capital strategy. It is noted that this will come into force for 2019/2020, however, for best practice, a capital strategy should be developed to ensure that the councils' capital expenditure and investment decisions are in line with their service objectives, and properly takes account of stewardship, value for money, prudence, sustainability & affordability.

5.1.2 The asset management plan 2015 to 2019 for both councils in place, however from review the plan is now out of date and was not approved and adopted by the councils. In February 2017, Arcadis drafted portfolio strategies, one for each council and at the time of audit review (January 2018), the portfolio strategies are still in draft format, as they have not been approved or adopted by the councils. Review of the portfolio strategies found that they fulfil the requirements of the CIPFA guidance for an asset strategy but not for asset management plans.

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

5.2 Capital contracts and budget monitoring

5.2.1 The accountancy team (Capita) maintain and update the capital programmes for both SODC and VWHDC, which record the individual projects and expenditure to date with expected spend profiled by year. It is noted that SODC's capital programme is split into approved and provisional, while VWHDC only has an approved programme, due to the differing positions of the two councils. At the time of the audit review (January 2018), the latest capital programmes covered the period 2017/2018 to 31 March 2022 and were last updated on 5 December 2017.

5.2.2 The capital programmes are reviewed as part of the budget setting process. Any growth bids are considered as part of preparing the capital programme along with, for SODC only, any capital projects to be moved from provisional to the approved capital programme. During the year, the capital programmes are reviewed and amendments since the original budget are recorded on a year by year basis, making it easy to track back changes.

5.2.3 Quarterly budget monitoring reports state the variations and explanations which are required for variances over £50,000. A summary of the quarterly report is published, with a link to the full budget monitoring reports, on the 'in focus' newsletter which is circulated to all councillors and officers. A review was undertaken on 25 SODC and 25 VWHDC capital projects which covered 15 SODC and 25 VWHDC approved capital projects. The review established that appropriate monitoring and detailed explanations are included for variances where required. In 2017/2018 to date (January 2018) as part of budget monitoring, the project managers requested on eleven (nine SODC and two VWHDC) occasions to either vire (one SODC and two VWHDC) or transfer (eight SODC) budgets for capital projects. Review of the three virements and eight transfers confirmed that they were all approved in line with the councils' constitution.

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

5.3 Capital accounting arrangements

5.3.1 Capital accounting relates to the recording of transactions for asset purchases, disposals, depreciation and revaluation within the accounts and these transactions. The accountancy team (Capita) does not have procedures in place to cover these capital accounting processes as the CIPFA code is considered to cover this. However, the code is not specific to SODC and VWHDC which have differing approaches in some areas.

5.3.2 Guidance on the budget setting process is available to council officers via the intranet, and this includes budget responsibilities for capital projects and covers growth bids. Year-end closedown guidance, including capital expenditure, is emailed to heads of service, service managers and other officers involved with budgets in the form of a memorandum.

5.3.3 Area assurance: Substantial
One recommendation has been restated as a result of our work in this area (Rec 3).

5.4 Asset registers

5.4.1 The estates team (Arcadis) hold the property register on the Concerto system, while the accountancy team (Capita) maintain the fixed asset registers. The property valuations are recorded on the fixed asset registers and the book value at the end of each financial year is adjusted to allow for any depreciation, additions, disposals or revaluations. Review of both the property register and the fixed asset registers confirmed that the registers are in line with councils' financial procedure rules and CIPFA guidelines.

5.4.2 At the time of the audit review (January 2018), the latest fixed asset registers are 2016/2017 due to them being updated as part of the year-end closedown process. Review of the 2016/2017 fixed asset register found that there were 17 (four SODC and 13 VWHDC) asset additions and 17 (five SODC and 12 VWHDC) asset disposals. Of the 17 assets added to the fixed asset register, six VWHDC assets were car parks already recorded as council assets with no value, but were added to the fixed asset register after the assets were valued. The remaining 11 (four SODC & seven VWHDC) assets were added to the register in accordance with the councils' financial procedure rules. Of the 17 assets disposed of, one asset was journaled to the long-term debtors' code, and the remaining 16 assets were disposed of in accordance with the councils' financial procedure rules.

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

5.5 Asset register reconciliation

5.5.1 The accountancy team (Capita) maintains the fixed asset registers on spreadsheets for accounting purposes, while the property services team (Arcadis) maintain the main asset register (Concerto), which lists all physical assets owned by both councils. Review of both sets of asset registers found there is adequate information that allows them to be reconciled, i.e. both state the same asset ID number. However, a reconciliation between the asset registers is currently not being undertaken. No recommendation has been raised for this finding as it is covered within the 2017/2018 property management audit review.

5.5.2 The Local Government Transparency Code 2015 requires the councils to publish the latest property list onto both councils' website on an annual basis, and the information that must be published. However, at the time of the audit review (January 2018), review of the councils' website found that the latest property list was published on 5 November 2015 and the information published did not comply with the Local Government Transparency Code 2015.

5.5.3 As part of the 5CP, there is a corporate services - service specification, which states that asset valuations will be undertaken on a five year schedule. Arcadis has developed a five year schedule for revaluing assets and have been split into the following categories:

- Year one (2016/2017) - car parks;
- Year two (2017/2018) - leisure centres, parks, cemeteries, allotments and open spaces;
- Year three (2018/2019) - public convenience, civic estates and housing (inc. mobile homes park);

- Year four (2019/2020) - investment properties and long leases;
- Year five (2020/2021) - TNRP (ex. Investments and long leases), community centres and surplus/ vacant sites.

It is noted that the five year schedule has been approved by the section 151 officer, as required by CIPFA guidance.

5.5.4 The process for undertaking accounting valuation starts in November each year, when Arcadis send the valuers an instruction to undertake on the asset valuations. For year two asset valuations, internal audit can confirm that the instruction was sent to the valuers, Sanderson Weatherall, in November 2017. As the fixed asset registers are reviewed on an annual basis, as part of year-end closedown, and Sanderson Weatherall are currently revaluing year two assets, internal audit reviewed year one (2016/2017) valuations to confirm that the fixed asset registers were adequately updated. In year one, there were 35 (21 SODC and 14 VWHDC) car parks revalued and review found that:

- Two SODC car parks (Broadway West & Broadway East) were disposed of in 2016/2017, therefore the value on the fixed asset register was zero.
- Two SODC car parks (High Street & Station Road) were initially valued as one car park by the valuers, which was rejected. However, after the car parks were valued again as two separate car parks, the councils received the valuation report after accountancy (Capita) closed the 2016/2017 accounts, therefore the revaluation could not be included. It is noted that external audit (EY) have been made aware and this will be included as part of 2017/2018 closedown.
- For one SODC car park (Cattlemarket, Thame), the value on the fixed asset register was greater than the value on the valuation report by £400,000.00. This is due to the car park and the actual Cattlemarket building historically having been valued as one asset, and as the estates team (Arcadis) requested that the car park is valued separately, it requires to be split on the register rather than listed as one.
- Two VWHDC car parks (Cattlemarket, Abingdon and Civic, Abingdon) are shown as one car park (Civic, Abingdon) on the fixed asset register, which requires to be split on the register.

However, no recommendation has been raised for these findings as they are covered within the 2017/2018 property management audit review.

5.5.5 Area assurance: Substantial
One recommendation has been restated as a result of our work in this area (Rec 4).

5.6 **Property and asset management system**

5.6.1 Guidance notes are available through the system administrators (Vinci) that gives details to users on how to use the Concerto system. Training on the system is also provided on request. Information on how officers can report issues is available on the councils' intranet and there are generic manuals provided by the software supplier. It is noted that a process handbook is in place that also provides information regarding the Concerto system.

5.6.2 The Concerto system is accessible via the web browser and review found that there is no firewall in place preventing the system to be accessible via unauthorised devices. To obtain access users are required to be set up on the system with a username and password. It is noted that the password policy on the system requires passwords to be a minimum of eight alphanumeric characters. The Concerto system also has in place an audit trail to record when users' log on and their activities. To add and remove users, the request should be made through Vinci helpdesk with their line

manager's approval. Review of the system users list found that three council employees that have left, still have access to the Concerto system.

5.6.3 Area assurance: Limited
One recommendation has been restated as a result of our work in this area (Rec 5).

6. ACKNOWLEDGEMENTS

6.1 Internal audit would like to take this opportunity to thank all staff involved for their assistance with the audit.

7. CATEGORISATION OF RECOMMENDATIONS

7.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

High risk	Fundamental control weakness for senior management action	**Rec 5**
Medium risk	Other control weakness for local management action	**Recs 1 and 4**
Low risk	Recommended best practice to improve overall control	**Recs 2 and 3**

OBSERVATIONS AND RECOMMENDATIONS

PREVIOUS RECOMMENDATIONS RESTATED

1. Capital financial strategy (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice A robust capital strategy is in place and in accordance with CIPFA guidance, forming the basis of the capital programme and setting out parameters for capital projects. Findings Neither SODC or VWHDC have had a capital financial strategy in place since the strategy 2010/11 to 2014/15. In December 2017, CIPFA released a revised prudential code for capital finance in local authorities, which requires local authorities to have in place a capital strategy from April 2019. However, for best practice the accountancy team (Capita) should develop the strategy, so that the councils' capital expenditure and investment decisions are in line with their service objectives, and properly takes account of stewardship, value for money, prudence, sustainability & affordability.	Both councils should develop a capital financial strategy, which is in line with the CIPFA prudential code for capital finance in local authorities, as a minimum requirement.	Strategic Finance Manager

Risk If a robust capital strategy is not in place that sets out parameters for capital projects, there is a risk of the capital programme not being managed, controlled and monitored in a consistent way.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed** In line with the new prudential framework and emerging guidance a capital strategy for 2019/2020 will be worked on during 2018/2019 which is expected to be presented for approval to both Cabinet and Council in February 2019 as part of budget setting. Management response: Strategic Finance Manager		31 March 2019

2. Asset management plans (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Up-to-date and approved asset management plans are in place and adopted by the councils. Findings A joint asset management plan 2015 to 2019 was developed, however, at the time of the audit review (January 2018), the plan had not been approved by the councils. In February 2017, Arcadis drafted a portfolio strategy for each council, to replace the asset management plan, which went to the interim head of devolution & government and the relevant Cabinet member (SODC or VWHDC) for approval. It is noted that as at January 2018, the portfolio strategy has still not been approved by the councils. Review of the portfolio strategy found that the strategy covers the CIPFA guidance for an asset strategy but does not cover guidance relating to asset management plans. Risk If an up-to-date asset management plan is not in place, there is a risk of inappropriate or inconsistent decisions being made when managing assets.	The asset management plans should be reviewed and updated to ensure that they: a) are in line with CIPFA guidance; b) are subject to regular review; c) are clearly dated and approved, in line with the councils' constitution; d) are publicly available; e) include roles and responsibilities for asset management.	Head of Development and Regeneration
Management Response		**Implementation Due Date**
Recommendation is **Agreed** In April 2018, asset management groups will be established for each council who will lead a review of assets and development of up-to-date asset management plans for both districts.		31 December 2018

Management response: Head of Development and Regeneration	

3. Guidance notes - capital accounting (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice Up-to-date and comprehensive capital accounting guidance notes are in place. Findings The accountancy team (Capita) still have no procedures in place covering capital accounting. Whilst it is acknowledged that the CIPFA code covers capital accounting processes, the differing approach between SODC and VWHDC should be included within working procedures. Risk If appropriate and up-to-date guidance notes are not in place, there is a risk of officers unknowingly taking incorrect actions within capital accounting. Furthermore, if accountancy staff (Capita) with site specific knowledge are moved, there is a risk of the councils being exposed to greater risk of errors.	Comprehensive up-to-date guidance notes should be introduced covering capital accounting processes and requirements, and recording the differences between SODC and VWHDC's approach.	Chief Accountant (Capita)

Management Response	Implementation Due Date
Recommendation is **Agreed in Principle** The policy for depreciation and fixed assets is included in the 'Statement of accounting policies' which is the overriding guidance for all capital accounting. The spreadsheets used by both councils as asset registers and for the calculation of depreciation, have detailed guidance notes included within them. However, there are no procedure notes currently for the 'day to day' capital processes of actioning cabinet decisions/Individual cabinet member decisions, requesting new cost centres and updating Agresso with budget changes. Additional notes to cover this part of the process will be written to ensure full documentation and compliance with the six council procedures Management response: Chief Accountant (Capita)	30 June 2018

4. Concerto land and property details (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Land and property data, required by the Local Government Transparency Code 2015, is held in the property register and published on the councils' website on an annually basis. Findings The Concerto system is used to publish the councils' land details as required by	All of the land and property data required by the Local Government Transparency Code 2015 should be added to the Arcadis' property register and published in a timely manner annually.	Head of Development and Regeneration

the Local Government Transparency Code 2015. Review of the both SODC and VWHDC websites found that the property detail lists both dated 5 November 2015, therefore the property lists are not annually published as required by the code. Also, from review of the property detail lists on the website found that not all of the required information is recorded as an indicator for council occupied property and whether an asset is land only or land with a permanent building was not stated. Risk If the required land and property data is not made available to the public, there is a risk that the councils are not complying with the Local Government Transparency Code 2015 resulting in an adverse impact to the councils' reputation.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed** In April 2018, a full review of assets will commence that will enable the asset lists to be checked, updated and published accordingly. Management response: Head of Development and Regeneration		31 December 2018

5. Concerto system users - leavers (High Risk)

Rationale	Recommendation	Responsibility
Best Practice User accounts are removed or disabled in a timely manner after an officer leaves the council. Findings As the Concerto system is web based, internal audit reviewed to establish if the system is accessible from a personal device. Review found that there is no firewall in place and the Concerto system is accessible using a personal device. Review of the list of system users for the Concerto property and assets management system also found that three users that left the councils still had access to the system, which increases the risk of unauthorised personnel accessing the system. It is noted that whilst it is the responsibility of line managers to notify of any changes needed to user access arising from leavers, the leavers list circulated by the HR team (Capita) is not	The system administrator for the current property and asset systems used for council purposes should be added to the leavers list sent out by HR to ensure that any Concerto system users who have left the councils are removed from the system as soon as possible.	Head of Development & Regeneration

copied to the property services team (Arcadis). <u>Risk</u> If users' accounts are not removed as soon as they leave the councils, there is a risk of data being viewed and/or changed by unauthorised personnel, due the Concerto system being accessible via a personal device.		
Management Response		**Implementation Due Date**
Recommendation is **Agreed** In April 2018, a process flowchart will be established for use of the Concerto system and process for removing staff who have left. Management response: Head of Development & Regeneration		30 April 2018

Audit and Governance Committee

Report of Interim Audit Manager

Author: Sandy Bayley

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SODC cabinet member responsible: Councillor John Walsh

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VWHDC cabinet member responsible: Councillor Robert Sharp

Telephone: **07771 760549**

E-mail: robert.sharp@whitehorsedc.gov.uk

To: Audit and Governance Committee

DATE: 26 March 2018

Internal audit management report quarter four 2017/2018

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 2017/2018 audit plan up to 13 March 2018; and
   - to summarise the priorities for quarter one 2018/2019.

2. The contact officer for this report is Sandy Bayley, Interim Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone 01235 422496.

Strategic objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

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 2017/2018 annual internal audit plan on 20 March 2017.

Management issues

6. Internal audit has continued to provide a significant level of resource to the five councils partnership during transition, including reviews of service readiness documentation.

7. Monthly audit manager meetings continue across the five district councils to share transition, process and control environment information.

8. An agency auditor was used to back-fill the auditor position from 4 September 2017 to 17 November 2017 and a further 11 week appointment is in place from 19 February 2018.

Progress against the 2017/2018 audit plan

9. As at 13 March 2018, 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 17/18	Q2 17/18	Q3 17/18	Q4 17/18
Chargeable (identifiable client and/or specific IA deliverable)	76%	79%	76.5%	83.5%	72%	82.5%
Non-Chargeable (corporate, not IA deliverable)	7%	6%	5.5%	7%	6%	6%
Planned Lost (i.e. leave)	15%	13.5%	17.5%	9.5%	18%	9%
Unplanned Lost (i.e. study, sickness)	2%	1.5%	0.5 %	0%	4%	2.5%

10. As at 13 March 2018 the status of audit work against the 2017/2018 audit plan is as follows:

    Planned

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

2017/2018	Planned	Complete	Draft	In progress	To commence
PLANNED	**28 (1 no longer applicable)**	**13**	**1**	**7**	**3** **3 CF 1819**
Joint	25	11	1	7	3 3 CF 1819
SODC	2 (1 no longer applicable)	1	0	0	0
VWHDC	1	1	0	0	0

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).

2017/2018	Requested	Complete	Draft	In progress	To commence
ADHOC	**8**	**4**	**0**	**4**	**0**
Joint	3	2	0	1	0
SODC	0	0	0	0	0
VWHDC	5	2	0	3	0

Follow up

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

2017/2018	Requested	Complete	Draft	In progress	To commence
FOLLOW-UP	**15**	**14**	**0**	**1**	**0**
Joint	12	11	0	1	0

SODC	2	2	0	0	0
VWHDC	1	1	0	0	0

Priorities for 2018/2019 quarter one (April 2018 – June 2018)

11. The priorities for quarter one are to:

- Complete 2017/2018 audits in progress at year end.
- Commence 2018/2019 planned audit work.
- Review and update the recommendations database.
- Relaunch pro-active use of the recommendations database.
- Update all internal audit procedures to reflect new working practices.

12. Remaining 2017/2018 planned audit work can be reviewed in **appendix 2**.

Financial implications

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

Legal implications

14. None.

Risk implications

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

SANDY BAYLEY
INTERIM AUDIT MANAGER

PLANNED AUDIT 2017/2018 **APPENDIX 1**

System Name As at 13 March 2018	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													
Budgetary Control (17)	**Completed**	10											
SODC			9.5		**Satisfactory**	**4**	0	0	1	1	3	3	**0**
VWHDC			9.5		**Satisfactory**	**4**	0	0	1	1	3	3	**0**
Capital Management and Accounting (21)	**Completed**	14											
SODC			7.0		**Limited**	**5**	1	1	2	2	2	2	**0**
VWHDC			7.0		**Limited**	**5**	1	1	2	2	2	2	**0**
Car Parks (18)	**Completed**	20											
SODC			10.0		**Satisfactory**	**5**	0	0	3	3	2	2	**0**
VWHDC			10.0		**Satisfactory**	**5**	0	0	3	3	2	2	**0**
Council Tax (23)	**In Progress**	20											
SODC			18.0										
VWHDC			18.0										
Credit Card Usage (20)	**Completed**	8											
SODC			4.5		**Limited**	**11**	2	2	4	3	5	5	**1**
VWHDC			4.5		**Limited**	**11**	2	2	4	3	5	5	**1**
Creditor Payments (27)	**In Progress**	20											
SODC			8.5										
VWHDC			8.5										
Data Protection (22)	**In Progress**	16											
SODC			2.0										
VWHDC			2.0										
Discretionary Grants (19)	**Carry Forward 18/19**	14											
SODC			0.0										
VWHDC			0.0										
Emergency Planning (19)	**To Commence Q4**	10											
SODC			0.0										
VWHDC			0.0										
General Ledger (22)	**Draft Out**	20											
SODC			9.0										
VWHDC			9.0										
Grounds Maintenance (18)	**Completed**	18											
SODC			7.5		**Full**	**1**	0	0	0	0	1	1	**0**
VWHDC			7.5		**Full**	**1**	0	0	0	0	1	1	**0**
Housing Benefits and CTRS (22)	**Completed**	30											
SODC			14.5		**Full**	**1**	0	0	0	0	1	1	**0**
VWHDC			14.5		**Full**	**1**	0	0	0	0	1	1	**0**
Housing Development (17)	**Carry Forward 18/19**	20											
SODC			0.5										
VWHDC			0.5										
Information Governance (16)	**To Commence Q4**	20											
SODC			0.0										
VWHDC			0.0										
Internal Recharges (17)	**To Commence Q4**	16											
SODC			0.0										
VWHDC			0.0										
Licensing (20)	**Completed**	20											
SODC			10.0		**Satisfactory**	**5**	0	0	2	2	3	3	**0**
VWHDC			10.0		**Satisfactory**	**5**	0	0	2	2	3	3	**0**
Lone Working & Officer Security (21)	**Carry Forward 18/19**	14											
SODC			2.5										
VWHDC			2.5										
NNDR (21)	**In Progress**	20											
SODC			3.0										
VWHDC			3.0										
Payroll (29)	**Completed**	36											
SODC			27.0		**Limited**	**14**	6	6	5	5	3	3	**0**
VWHDC			27.5		**Limited**	**14**	6	6	5	5	3	3	**0**
Petty Cash Spot Checks (17)	**In Progress**	4											
SODC			2.0										
VWHDC			1.0										
Pro-active Anti-Fraud Review (20)	**In Progress**	14											
SODC			3.0										
VWHDC			3.0										
Property Management (18)	**Completed**	20											
SODC			10.0		**Limited**	**5**	1	1	1	1	3	3	**0**
VWHDC			10.0		**Limited**	**5**	1	1	1	1	3	3	**0**
Sundry Debtors (24)	**Completed**	20											
SODC			10.0		**Satisfactory**	**5**	0	0	2	2	3	3	**0**
VWHDC			10.0		**Satisfactory**	**5**	0	0	2	2	3	3	**0**
Treasury Management (20)	**Completed**	14											
SODC			7.0		**Satisfactory**	**2**	0	0	1	1	1	1	**0**
VWHDC			7.0		**Satisfactory**	**2**	0	0	1	1	1	1	**0**
Tree Management & Inspections (15)	**In Progress**	20											
SODC			3.0										
VWHDC			3.0										
SODC													
Leader Project Assurance (18)	**Completed**	10	10.0		**Full**	2	0	0	0	0	2	2	0
Leader Project Grant Verification (12)	**Not Applicable**	4	0.0	Function now performed by RPA not accountable body so no longer needed.	**Not applicable**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
VWHDC													
The Beacon (19)	**Completed**	10	11.5		**Satisfactory**	13	0	0	6	6	7	7	0
IA PLANNED AUDIT TOTALS	**-**	**462**	**358.0**	**Full 5 Substantial 0 Satisfactory 11 Limited 8 Nil 0**		**131**	**20**	**20**	**48**	**46**	**63**	**63**	**2**
SODC PLANNED AUDIT TOTALS	**-**	**233**	**178.25**	**Full 3 Substantial 0 Satisfactory 5 Limited 4 Nil 0**		**60**	**10**	**10**	**21**	**20**	**29**	**29**	**1**
VWHDC PLANNED AUDIT TOTALS	**-**	**229**	**179.75**	**Full 2 Substantial 0 Satisfactory 6 Limited 4 Nil 0**		**71**	**10**	**10**	**27**	**26**	**34**	**34**	**1**

FOLLOW UP AUDITS 2017/2018

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing	New recommendations
JOINT								
HR Recruitment (2nd report) 2015/2016	1	**Limited**	**7**	2	0	2	0	3
Training and Development (2nd report) 2016/2017	6	**Limited**	**4**	0	0	1	0	3
CIL (2nd Report) 2016/2017	12	**Full**	**4**	1	0	0	0	3
Comments & Complaints 2016/2017	1	**Satisfactory**	**5**	0	2	3	0	0
Building Control 2016/2017	4	**Limited**	**5**	3	0	2	0	0
Environmental Protection	1	**Limited**	**10**	7	3	0	0	0
SODC								
Cornerstone 2016/2017	2	**Limited**	**5**	3	2	0	0	0
VWHDC								
The Beacon 2017/2018	1.5	**Satisfactory**	**13**	7	6	0	0	0

FOLLOW UP AUDITS 2017/2018

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing	New recommendations
JOINT								
Car Parks 2017/2018	1	**Satisfactory**	**5**	5	0	0	0	0
Grounds Maintenance 2017/2018	0.5	**Full**	**1**	0	0	0	1	0
HR Recruitment (2nd report follow up) 2015/2016	1	**Limited**	**7**	2	4	1	0	0
Licensing 2017/2018	1	**Satisfactory**	**5**	1	2	2	0	0
SODC								
LEADER Project Assurance 2017/2018	0.5	**Full**	**2**	2	0	0	0	0
VWHDC								
None								
IA FOLLOW UP DURING 17/18 TOTALS	**32.5**		**73**	**33**	**19**	**11**	**1**	**9**
JOINT FOLLOW UP 17/18 TOTALS	**28.5**		**53**	**21**	**11**	**11**	**1**	**9**
SODC FOLLOW UP 17/18 TOTALS	**2.5**		**7**	**5**	**2**	**0**	**0**	**0**
VWHDC FOLLOW UP 17/18 TOTALS	**1.5**		**13**	**7**	**6**	**0**	**0**	**0**

UNPLANNED WORK 2017/2018

CONSULTANCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
5 Councils Partnership, including: · service readiness payroll · service readiness Integra · 5CP Governance	In Progress	As required	62 to date	N/A
Follow up of Review of Crowmarsh Fire March 2015	Completed	As required	1.5	September 2017 Audit & Governance Committee
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
Business rates - fraudulent transaction	Completed	As required	2	N/A
Potential conflict of interest	Completed	As required	1	Head of Legal & Democratic Services

CONTINGENCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
Investigation Templates	Completed	10	9	Assurance Manager
SODC				
None	N/A	N/A	N/A	N/A
VWHDC				
West Way Botley Follow Up	In Progress	4	2	Councillor
Planning - Kingston Bagpuize	In progress	5	2	Head of Planning
Abingdon BID	In progress	3	3	Head of Development & Regeneration

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 2017/2018 (As at 13 March 2018)

Appendix 2

PLANNED AUDITS

	PRIORITY	April				May					June				July					August					September					October					November					December					January					February					March				
JOINT		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		1	2	3	4	5	1	2	3	4		1	2		3	4	5	1	2	3	4		1	2	3		4
Budgetary Control	17														JAGC														JAGC																					JAGC									JAGC	
Capital Mgt & Accounting	21																																																										
Car Parks	18																																																										
Council Tax	23																																																										
Credit Card Usage	20																																																										
Creditor Payments	27																																																										
Data Protection	22																																																										
Discretionary Grants	19																																																										
Emergency Planning	19																																																										
General Ledger	22																																																										
Grounds Maintenance	18																																																										
Housing Benefits & Council Tax Reduction	22																																																										
Housing Development	17																																																										
Information Governance	16																																																										
Internal Recharges	17																																																										
Licensing	20																																																										
Lone Working and Officer Security	21																																																										
NNDR	21																																																										
Payroll	29																																																										
Petty Cash Spot Checks	17																																																										
Pro-active Anti-Fraud Review	20																																																										
Property Management	18																																																										
Sundry Debtors	24																																																										
Treasury Management	20																																																										
Tree Management and Inspections	15																																																										
SODC																																																											
LEADER Project Assurance	18																																																										
VWHDC																																																											
The Beacon	19																																																										

FOLLOW UP AUDITS

	PRIORITY	April				May					June				July					August					September					October					November					December					January					February					March				
JOINT		1	2	3	4	1	2	3		4	1	2	3	4		1	2	3	5	1	2	3		4	1	2	3	4		1	2	3	4		1	2	3	4	5	1	2	3	5		1	2		3	4	4	1	2	3	4		1	2	3		5
HR Recruitment 1516 (2nd report and follow up)															AGC														AGC																					AGC									AGC	
Training and Development 1516 (2nd report and follow up)																																																											
CIL 1617 (2nd report)																																																											
Comments and complaints 1617																																																											
Building Control 1617																																																											
Expenditure Review																																																											
Car Parks 1718																																																											
Grounds Maintenance 1718																																																											
Environmental Protection 1718																																																											
HR Recruitment 1516 (follow up of 2nd report)																																																											
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VWHDC																																																											
The Beacon																																																											

UNPLANNED AUDITS

	PRIORITY	April				May					June				July					August					September					October					November					December					January					February					March				
JOINT		1	2	3	4	1	2	3		4	1	2	3	4		1	2	3	5	1	2	3		4	1	2	3	4		1	2	3	4		1	2	3	4	5	1	2	3	5		1	2		3	4	4	1	2	3	4		1	2	3		5
Investigation Templates															AGC														AGC																					AGC									AGC	
Follow up Crowmarsh Fire Review March 2015																																																											
SODC																																																											
None																																																											
VWHDC																																																											
West Way follow up																																																											
Potential confilct of interest																																																											
Business rates fraudulent transaction																																																											
Planning - Kingston Bagpuize																																																											
Abingdon BID																																																											

Key

- **Projected Start Date**
- **In Progress**
- **Draft Issued**
- **Complete**
- No longer applicable/ revised arrangements
- Deferred until 2018/2019

Audit and Governance Committee

Report of Interim Audit Manager

Author: Sandy Bayley

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VWHDC cabinet member responsible: Councillor Robert Sharp

Telephone: **07771 760549**

E-mail: robert.sharp@whitehorsedc.gov.uk

To: Audit and Governance Committee

DATE: 26 March 2018

Internal audit annual plan 2018/2019

Recommendation

That members approve the internal audit annual plan 2018/2019

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 2018/2018.

2. The contact officer for this report is Sandy Bayley, Interim Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone 01235 422496.

Strategic Objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

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 2018/2019 are arrived at by starting with the number of days available for all internal audit posts within the team. This is then reduced by the estimated numbers of days lost through annual leave, bank holidays (planned) and sickness absence (unplanned). Allowance has been made within the available time for the vacancy following the management restructure changes. 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).

8. The calculation of days for next year reflects an increase in days for the audit manager due to the post becoming fulltime and the transfer of responsibility for business continuity, insurance and risk within the management restructure. An explanation of the individual variances against the previous year allocated days is provided after the calculation in **appendix 1**.

Schedule of Auditable Activity (SAA)

9. 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 interim audit 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.

10. 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 2018/2019

11. The internal audit annual plan is designed and constructed in such a way to enable the interim audit 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 2018/2019 is attached as **appendix 3**. Any amendments to the annual plan throughout the year will be submitted to the committee for approval.

13. 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.

14. 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

15. The audit plan can be delivered from within the approved 2018/19 budget, therefore there are no financial implications attached to this report.

Legal Implications

16. None

Risk Implications

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

SANDY BAYLEY
INTERIM AUDIT MANAGER

Internal Audit Allocation 2018/2019 **APPENDIX 1**

DESCRIPTION (Analysis of Description Overleaf)	DAYS 2017/2018	DAYS 2018/2019	Notes (Overleaf)
Total Days Available for Internal Audit Team	**884**	**997**	1
52x5x2 - Auditor x 2FTE	780	520	
52x5x10/12 – Auditor (vacancy so x 1FTE 10 months)		217	
52x5 - Audit Manager 1FTE	104	260	
Total Lost Days for Internal Audit Team	**148**	**175**	
Annual Leave Entitlement (planned)	90	115	2
Bank Holiday and Christmas Closure (planned)	41	40	
Sick Leave (unplanned)	17	20	
Total Non-Chargeable Days for Internal Audit Team	**59**	**86**	3
Training and Development ad hoc	12	12	
Planned study		27	
Admin/Corporate Issues	35	35	
Corporate/Team Meetings	12	12	
Total Chargeable Days for Internal Audit Team	**677**	**736**	
Audit Management	70	110	4
Ad hoc Audit Advice (4 days each service area)	24	32	5
Consultancy/System Development (4 days each service area)	12	32	6
Contingency (Investigations) (6 days each service area)	30	48	7
Follow Up Work 2017/2018	10	12	8
Follow Up Work key financials		10	8
Follow Up Work 2018/2019	10	10	8
Town and Parish Councils	19	26	9
5 Councils Partnership	40	20	10
Audit Plan 2017/2018	462	436	11
Total Lost + Non-Chargeable and Chargeable Days	**884**	**997**	
Proportion of Chargeable Days	**76%**	**74%**	
Proportion of Non-Chargeable Days	**7%**	**9%**	
Proportion of Lost Days	**17%**	**17%**	

Notes and explanations for variances against previous year

1. Total Days Available for Internal Audit Team up 113 from 884 to 997

There is an audit manager vacancy currently being covered by an auditor on an interim basis.

- Less 43 - Auditor days less by 43 due to allowing two months to recruit to vacancy following restructure.
- Plus 156 - Audit manager role is 1 Full Time Equivalent (FTE) after restructure rather than half of 0.8FTE so extra 156 days (see audit management for additional work).

2. Total Lost Days for Internal Audit Team up 27 days from 148 to 175

There has been an additional day's leave agreed for all staff.

- Plus 20 - audit manager role is 1FTE after restructure rather than half of 0.8FTE so 13 days' annual leave is now 33, including the one extra day to all staff.
- Plus 3 - one auditor has additional days of annual leave for this period for long service, including the extra day.
- Plus 2 – the two other auditors' extra day
- allowed for the possibility of the new auditor having continuous service hence 29 days annual leave This accounts for 2 more days.
- Less 1 day - bank holidays and Christmas. There are 10 days each rather than 12, but the change to 1FTE audit manager accounts for the overall decrease of only one day.
- Plus 3 – each year the sick leave calculation estimates 5 days per person. Difference in FTE for audit manager accounts for 3 additional days.

3. Total Non-Chargeable Days for Internal Audit Team up 27 days from 59 to 86

- The three auditors, including the interim audit manager, would like to study with the Institute of Internal Audit (IIA) with a potential 9 days each study and exam leave. If IIA study is not funded, then alternative professional development options will be explored.

Total Chargeable Days for Internal Audit Team up 59 days from 677 to 736 but individual allocated areas have changed as follows:

4. Plus 40 days' audit management, to allow for specific projects: -
  - review and update recommendations database,
  - major review and update of IA procedures including risk management,
  - update anti-money laundering policy, and
  - increases to quality and performance management for training and review of new auditor.

5. Plus 8 days - ad hoc advice, 4 days per service area instead of 3 and we now have 8 instead of 6 service areas.

6. Plus 20 days - consultancy increase from 3 to 4 days per service area to allow for any additional work resulting from restructure. The 4 days' allowance is now for 8 instead of 6 service areas.

7. Plus 18 days - contingency, 6 days per service area and we now have 8 instead of 6 service areas. Hence there are 38 extra days.

8. Plus 12 days – 10 days follow up work on key financial audits. These are not subject to formal follow up reporting until the next annual audit. However, now the recommendations database is used, auditors are spending time on updates to key financial recommendations throughout the year. 2 extra days on previous year audit to reflect actual audits to be followed up.

9. Plus 7 days - town and parish councils. We now have two contracts.

10. Less 20 days - 5CP days reduced as services live except Integra. Consultancy and contingency days available if a top up is needed.
11. Less 25 days - audit plan days is reduced which reflects the expected period of vacancy following the restructure.

Analysis of description

Lost days

- Annual leave entitlement and any carry forward from previous year, estimate as leave years differ.
- Bank holiday and Christmas closure.
- Sick leave.

Training and development

- In-house corporate training (IT, new systems, HR training programme).
- External role related training (management, fraud, audit).
- Study leave for professional qualifications requested at the time of the audit plan.

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 (maintenance and non-audit specific work)
- 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

- Transition to new systems for finance, payroll and IT.

SERVICE AREA (colour coded by new management structure)	SERVICE TEAM	AUDIT AREA	SODC/ VWHDC/JOINT	LAST PRIORITY RATING	SODC AUDIT ALLOCATION DAYS	VWHDC AUDIT ALLOCATION DAYS	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	AUDIT PLANNING NOTES
5CP	Capita - HR & Payroll	Payroll	Joint	29	18	18	2017/2018	0	Limited	3	Limited	3	3	3	3	3	3	1	28	KFS
Corporate Services	Programmes & Assurance	Risk Management	Joint	28	7	7	2016/2017	1	Limited	3	Limited	3	3	3	3	3	3	0	28	Discussed HOS - Good to reflect progress made
5CP	Capita - Finance & Procurement	Creditor Payments	Joint	24	10	10	2016/2017	1	Limited	3	Limited	3	3	3	3	2	2	1	27	KFS
Corporate Services	Programmes & Assurance	Insurance	Joint	24	8	8	2015/2016	2	Limited	3	Limited	3	3	2	3	3	3	0	27	Discussed HOS - Good to reflect progress made
5CP	Capita - Finance & Procurement	Procurement	Joint	25	10	10	2015/2016	2	Limited	3	Limited	3	3	3	3	2	2	0	27	Acknowledge 5CP renegotiation so later in year, WILL PICK WesseX leisure centre as walkthrough.
Corporate Audits		Pro-Active Anti-Fraud Review	Joint	23	7	7	2016/2017	1	Limited	3	Limited	3	3	3	3	1	2	1	26	KFS
5CP	Capita - Finance & Procurement	Sundry Debtors	Joint	22	10	10	2016/2017	1	Satisfactory	2	Satisfactory	2	3	3	2	2	2	1	24	KFS
5CP	Capita - Finance & Procurement	General Ledger	Joint	26	10	10	2016/2017	1	Satisfactory	2	Satisfactory	2	3	3	2	1	3	1	24	KFS
Development & Regeneration	Property	Property Management	Joint	0	10	10	2017/2018	0	Limited	3	Limited	3	3	1	3	3	3	1	24	HoS request 18/19 due to move back in house. Data integrity, assets info. Ask Suzanne too may need just consultancy days
Corporate Services	Customer Engagement	Cash Office	Joint	22	8	8	2015/2016	2	Limited	3	Limited	3	3	3	2	0	2	0	24	Followed up 16/17 , 1 rec left re civica icon access
5CP	Capita - Revenue & Benefits	Council Tax	Joint	24	10	10	2016/2017	1	Substantial	1	Substantial	1	3	3	3	2	2	1	23	KFS
5CP	Capita - Revenue & Benefits	NNDR	Joint	20	10	10	2016/2017	1	Substantial	1	Substantial	1	3	3	3	2	2	1	23	KFS - do earlier so not all KFS at end of year Include VWHDC EZ objective
Corporate Services	Programmes & Assurance	Business Continuity	Joint	21	10	10	2015/2016	2	Limited	3	Limited	3	3	1	3	1	3	0	23	Assurance Manager undertook full review 2015/2016 following Crowmarsh fire. Recommendations in progress. Follow up done new dates being monitored.
Planning	Planning Policy	Neighbourhood Planning Grants	Joint	21	5	5	2015/2016	2	Limited	3	Limited	3	3	2	2	1	2	0	23	Followed up 16/17 all recs implemented
Corporate Services	Customer Engagement	Data Protection/GDPR	Joint	21	7	7	2012/2013	5	Satisfactory	2	Satisfactory	2	2	1	3	3	2	0	23	2017/2018 audit. Poss spot check in 18/19 6 months after GDPR - poss consultancy days
Corporate Services	Programmes & Assurance	Lone Working/ Officer Security	Joint	20	7	7	2013/2014	4	Satisfactory	2	Satisfactory	2	2	1	3	2	3	1	23	slipped from 17/18 plan, HOS request for later in 18/19 as new service being trialled
5CP	Capita - Revenue & Benefits	Housing Benefits & Council Tax Reduction Scheme	Joint	22	15	15	2017/2018	0	full	0	full	0	3	3	3	2	3	1	21	KFS - do earlier so not all KFS at end of year.
5CP	Capita - Finance & Procurement	Treasury Management	Joint	18	7	7	2017/2018	0	Satisfactory	2	staisfactory	2	3	2	2	2	2	1	21	KFS
5CP	Capita - Finance & Procurement	Capital Management & Accounting	Joint	23	7	7	2016/2017	1	Satisfactory	2	Satisfactory	2	3	2	2	1	2	1	21	KFS
Community Services	Active Communities	Leisure Facilities (previously Centres)	Joint	20	15	15	2015/2016	2	Satisfactory	2	Satisfactory	2	3	1	3	2	2	0	21	Followed up 16/17 . Chris has no issues
5CP	Capita - IT	ICT	Joint	25	10	10	2015/2016	2	Satisfactory	2	Satisfactory	2	2	2	3	1	3	0	21	Followed up 16/17
5CP	Capita - IT	Disaster Recovery	Joint	19	10	10	2013/2014	4	Satisfactory	2	Satisfactory	2	3	0	3	1	3	0	21	ITC audit followed up 16/17
5CP	Capita - Finance & Procurement	Council Fees and Charges	Joint	19	10	10	2013/2014	4	Limited	3	Limited	3	2	1	2	1	2	0	21	Covered in 16/17 individual reviews
Legal & Democratic Services	Democratic Services	Anti-Fraud & Corruption Policies	Joint	19	8	8	2014/2015	3	Limited	3	Limited	3	1	3	2	1	1	0	21	AFC framework recently updated and relaunched
Planning	Development - Applications	Building Control	Joint	22	10	10	2016/2017	1	Limited	3	Limited	3	2	2	3	1	2	0	21	2016/2017 audit
Planning	Development	S106 Commuted Sums / CIL	Joint	25	6	6	2016/2017	1	Full	0	Limited	3	3	2	3	2	2	0	21	2016/2017 audit (CIL) SODC was full, VWHDC to be tested in follow up. 2018/19 change to separate out spend.
5CP	Capita - Finance & Procurement	Receipt of Income Arrangements	Joint	19	10	10	2015/2016	2	Satisfactory	2	Satisfactory	2	3	2	2	0	2	0	20	Followed up 16/17
Community Services	Community Enablement	Discretionary Grants	Joint	18	8	8	2012/2013	5	Satisfactory	2	Limited	3	2	1	3	0	1	0	20	2017/2018 audit, agreed to defer to early 2018/2019
Corporate Services	Programmes & Assurance	Emergency Planning	Joint	18	5	5	2012/2013	5	Satisfactory	2	Satisfactory	2	2	0	3	1	3	0	20	2017/2018 audit
Legal & Democratic Services	Democratic Services	Elections & Elections Payments	Joint	26	15	15	2015/2016	2	Limited	3	Satisfactory	2	1	2	3	2	2	0	20	Followed up 16/17
Housing & Environment	Technical Services	Car Parks	Joint	17	9	9	2017/2018	0	Satisfactory	2	Satisfactory	2	3	3	2	1	1	0	20	2017/2018 audit
Corporate Services	Programmes & Assurance	Health & Safety	Joint	20	10	10	2016/2017	1	Satisfactory	2	Satisfactory	2	2	1	3	3	2	1	20	HoS request for 18/19.
5CP	Capita - HR & Payroll	HR Recruitment Processes	Joint	21	10	10	2015/2016	2	Limited	3	Limited	3	1	2	2	2	1	0	19	new system but - see hR mgmt notes
Corporate Services	Programmes & Assurance	Project Management	Joint	21	10	10	2015/2016	2	Limited	3	Limited	3	2	1	2	1	2	0	19	HoS suggests 19/20 as being relaunched during 18/19

Housing & Environment	Environmental Services	Brown Bins	Joint	16	10	10	2013/2014	4	Full	0	Full	0	3	1	3	1	2	1	19	Comments from RPH 5/9/17 re issues with BB - do 18/19
Community Services	Arts & Community Centres	Cornerstone	SODC	21	10	0	2016/2017	1	Limited	3	N/A	0	3	1	3	1	3	0	19	2016/2017 audit
Housing & Environment	Licensing & Community Safety	Licensing	Joint	19	10	10	2017/2018	0	Satisfactory	2	Satisfactory	2	2	2	3	3	1	0	19	May need light touch review or consultancy for move back in - do 19/20
Housing & Environment	Environmental Services	Pest Control	SODC	17	5	0	2010/2011	7	Limited	3	N/A	0	2	0	3	1	1	0	19	Covered in 16/17 EP reviews done June 17 include rec re this.
5CP	Capita - Revenue & Benefits	Council Tax Reduction Scheme Fraud	Joint	17	5	5	2012/2013	5	Full	0	Full	0	3	2	2	1	1	0	19	Covered in HBCTRS audit 16/17
Development & Regeneration	Property	Post Room	Joint	17	10	10	2013/2014	4	Satisfactory	2	Satisfactory	2	2	2	1	0	2	0	19	
Development & Regeneration	Property	Estates & Facilities Management	Joint	20	10	10	2016/2017	1	Limited	3	Limited	3	2	2	2	0	2	0	19	2016/2017 audit
5CP	Capita - Finance & Procurement	Credit Card Usage	Joint	19	4	4	2017/2018	0	Limited	3	Limited	3	2	3	1	1	1	0	19	
5CP	Capita - Customer Services, Licensing & Land Charges	Land Charges	Joint	16	10	10	2014/2015	3	Satisfactory	2	Satisfactory	2	2	1	3	1	1	0	18	
5CP	Capita - Finance & Procurement	Internal Recharges	Joint	16	8	8	2013/2014	4	Satisfactory	2	Satisfactory	2	3	1	0	0	2	0	18	2017/2018 audit
Corporate Strategy	Community Partnership	Partnership Performance Monitoring	Joint	16	10	10	2015/2016	2	Limited	3	Limited	3	2	0	3	1	2	0	18	
Planning	Development (Large & Applications)	Development Management	Joint	16	10	10	2015/2016	2	Satisfactory	2	Satisfactory	2	1	2	3	1	2	0	18	
5CP	Capita - Finance & Procurement	Travel & Subsistence	Joint	16	8	8	2014/2015	3	Full	0	Full	0	3	3	1	0	2	0	18	new system, concerns raised. Include cllr claims
Legal & Democratic Services	Legal Services	RIPA	Joint	16	5	5	2013/2014	4	Full	0	Full	0	2	1	3	3	2	0	18	
Development & Regeneration	Infrastructure & Development	Housing Development	Joint	15	10	10	2007/2008	10	Satisfactory	2	Satisfactory	2	0	0	3	0	0	1	18	roll forward from 17/18
Corporate Services	IT	Geographical Information Systems (GIS)/Data Capture	Joint	15	10	10	2008/2009	9	Satisfactory	2	Satisfactory	2	0	0	1	1	2	0	17	
Housing & Environment	Licensing & Community Safety	(VFM from) CCTV Contract	Joint	15	10	10	2009/2010	8	Satisfactory	2	Satisfactory	2	1	0	2	1	0	0	17	
Housing & Environment	Environmental Services	Stray Dogs Contract	Joint	15	8	8	2010/2011	7	N/A	0	Satisfactory	2	2	0	2	1	1	0	17	
Corporate Services	Programmes & Assurance	Equalities and Diversity	Joint	15	8	8	2011/2012	6	Satisfactory	2	Satisfactory	2	1	0	2	1	2	0	17	
Corporate Audits		Stationery System	Joint	15	6	6	2011/2012	6	Satisfactory	2	Satisfactory	2	2	1	0	0	1	0	17	Now down to budget holder swho order their own stationery via Lyreco
Housing & Environment	Housing Needs	Housing Allocations	Joint	15	10	10	2012/2013	5	Full	0	Full	0	1	2	3	2	1	0	17	do 19/20 new policy coming in
Corporate Services	Customer Engagement	Freedom of Information	Joint	15	6	6	2012/2013	5	Satisfactory	2	Satisfactory	2	1	0	3	2	1	0	17	
Finance	Strategic Finance	Community Loans Scheme	SODC	15	4	0	2013/2014	4	Full	0	Full	0	2	2	2	1	2	0	17	
HR, IT & Customer Services	Performance & Projects	Contract Management	Joint	15	10	10	2014/2015	3	Full	0	Full	0	2	1	3	2	3	0	17	
Housing & Environment	Housing Needs	Temporary Accomodation	Joint	15	0	12	2014/2015	3	Satisfactory	2	Limited	3	1	1	3	1	1	0	17	do 19/20 efurbs in hand
Corporate Services	Customer Engagement	Information Governance	Joint	15	10	10	2012/2013	5	Satisfactory	2	Satisfactory	2	0	0	3	2	3	0	17	2017/2018 audit
5CP	Capita - Finance & Procurement	Petty Cash Procedures	Joint	14	2	2	2014/2015	3	Satisfactory	2	Satisfactory	2	1	3	0	0	1	1	17	issues during 17/18 spot checks
5CP	Capita - HR & Payroll	HR Management	Joint	22	10	10	2015/2016	2	Satisfactory	2	Satisfactory	2	1	1	2	2	2	0	16	new system. AP suggest focus on HR admin as opposed to full recruit/mgmt?
5CP	Capita - HR & Payroll	Training & Development	Joint	22	6	6	2016/2017	1	Satisfactory	2	Satisfactory	2	2	1	2	1	2	0	16	
Housing & Environment	Licensing & Community Safety	Safeguarding Children, Young People and Vulnerable Adults	Joint	14	N/A	N/A	2016/2017	1	Substantial	1	Substantial	1	2	1	3	3	1	0	16	
Corporate Services	Programmes & Assurance	Performance Management	Joint	20	8	8	2016/2017	1	Limited	3	Limited	3	2	0	2	1	2	0	16	outstanding recs to be addressed in 2018/19. HoS rquest 19/20 as relaunching
Housing & Environment	Environmental Services	Environmental Protection	Joint	20	10	10	2016/2017	1	Limited	3	Satisfactory	2	2	0	3	2	1	0	16	2016/2017 audit
Community Services	Arts & Community Centres	The Beacon	VWHDC	18	0	11	2017/2018	0	N/A	0	Satisfactory	2	3	2	2	0	1	0	15	
Planning	Development - Large	Appeals	Joint	NEW AREA	10	10	new area	0	N/A	0	N/A	0	3	0	3	3	2	1	15	HoS request. Large costs, particularly SODC
Corporate Strategy	Waste & 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	2017/2018 audit. Is this now planning?
Housing & Environment	Environmental Services	Waste Management and Recycling	Joint	13	10	10	2015/2016	2	Substantial	1	Substantial	1	3	0	3	1	1	0	15	
Community Services	Active Communities	Seasonal Leisure Activities	Joint	13	6	6	2012/2013	5	Full	0	Full	0	2	1	2	1	1	0	15	
Housing & Environment	Environmental Services	Food & Safety	Joint	13	10	10	2013/2014	4	Satisfactory	2	Satisfactory	2	1	0	3	1	1	0	15	

Legal & Democratic Services	Democratic Services	Gifts and Hospitality	Joint	20	5	5	2016/2017	1	Substantial	1	Substantial	1	1	2	3	1	1	0	14	
Corporate Services	Customer Engagement	Comments & Complaints Process	Joint	20	7	7	2016/2017	1	Satisfactory	2	Satisfactory	2	1	1	3	1	1	0	14	
Housing & Environment	Technical Services	Mobile Home Parks	Joint	12	12	12	2012/2013	5	Satisfactory	2	Satisfactory	2	1	0	2	0	1	0	14	
Development & Regeneration	Economic Development	Leader Project Grant Verification	SODC	11	3	0	2013/2014	4	Full	0	N/A	0	3	0	1	0	1	0	12	was DEFRA requirement. Now RPA is responsible
5CP	Capita - Finance & Procurement	Budgetary Control	Joint	16	5	5	2017/2018	0	Full	0	Full	0	3	1	3	0	2	0	13	2017/2018 audit
5CP	Capita - Finance & Procurement	Bank Contract & Arrangements	Joint	11	4	0	2014/2015	3	Full	0	Full	0	2	0	1	2	3	0	13	
Legal & Democratic Services	Democratic Services	Corporate Governance	Joint	11	10	10	2014/2015	3	Full	0	Full	0	0	2	3	1	2	0	13	
Corporate Services	Customer Engagement	Consultation (Public & Staff)	Joint	10	5	5	2015/2016	2	Substantial	1	Substantial	1	1	0	3	0	3	0	12	
5CP	Capita - Finance & Procurement	Petty Cash Spot Checks	Joint	16	2	2	2017/2018	0	Full	0	Full	0	3	3	0	0	0	0	12	2017/2018 audit
Partnership & Insight	**Didcot Garden Town**	**Didcot Garden Town Delivery**	SODC	NEW AREA	10	0	new area	0	N/A	0	N/A	0	3	0	3	1	2	0	12	Spend of funding, S31 govt funding. No grant verification needed.
Corporate Services	Customer Engagement	Planning Consultations	Joint	8	10	10	new area	1	N/A	0	N/A	0	0	0	3	3	3	0	10	Separated from 15/16 general consultations audit as a new area. Not yet audited and will it now be under one service area? Keep an eye on for future.
Housing & Environment	Technical Services	Grounds & Parks Maintenance	Joint	17	9	9	2017/2018	0	Full	0	Full	0	2	0	3	1	1	0	9	2017/2018 audit
Development & Regeneration	Economic Development	Leader Project Assurance	SODC	17	10	0	2017/2018	0	Full	0	N/A	0	3	0	1	0	1	0	8	2017/2018 audit
Community Services	Arts & Community Centres	Community Centres	Joint	NEW AREA	0	4	new area	0	N/A	0	N/A	0	1	0	2	1	1	0	6	GWP at present, more being built. Needs structure for managing - e.g. weekend call outs. Leave for contingency for now.
Planning	Planning Policy	Local Plan	Joint	NEW AREA	8	8	new area	0	N/A	0	N/A	0	1	0	1	0	3	0	6	HoS advised SODC/VWHDC approach not harmonised on policies etc, using consultants but all at different stages and timings. Poss contingency 18/19
Planning	Business	footpaths	Joint	NEW AREA	4	4	new area	0	N/A	0	N/A	0	0	0	1	2	1	1	5	New area, HOS may need this covered
Planning	Development - Large	Ecology	Joint	NEW AREA	4	4	new area	0	N/A	0	N/A	0	0	0	2	1	1	1	5	HoS request for 2 years time - 2 year pilot project for great crested newts. May need audit to check aims achieved.
Corporate Services	Customer Engagement	SODC online lottery	SODC	NEW AREA??	5	0	new area	0	N/A	0	N/A	0	0	0	1	1	1	1	4	Auditable = 10% of £1 is SODC discretionary spend Set up via Corp Services then move to Community. AP suggests 19/20 audit
Housing & Environment	Technical Services	Direct Services Organisation (DSO)	Joint	NEW AREA	7	7	new area	0	N/A	0	N/A	0	1	0	1	0	1	0	4	do 19/20
Corporate Services	IT	Street Naming & Numbering	Joint	NEW AREA	4	4	new area	0	N/A	0	N/A	0	0	0	1	1	1	1	4	HOS request for 2018/19. last reviewed within council fees
Corporate Services	Programmes & Assurance	Strategic Energy	Joint	NEW AREA	4	4	new area	0	N/A	0	N/A	0	0	0	1	0	1	0	2	Fuel poverty grant £15k helped 80 people

KEY:

Key Financial System = annual review	Planned for 18/19

Review Score

Number of audit years since last review.

Rating Score

2015/2016 onwards:
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

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

Internal Audit Plan 2018/2019 **APPENDIX 3**

JOINT	Priority Score	SODC Days	VWHDC Days
Payroll	28	18	18
Risk Management	28	7	7
Creditor Payments	27	10	10
Insurance	27	8	8
Procurement	27	10	10
Pro-active Anti-Fraud Review	26	7	7
Sundry Debtors	24	10	10
General Ledger	24	10	10
Property Management	24	10	10
Council Tax	23	10	10
Lone Working and Officer Security	23	7	7
NNDR	23	10	10
Treasury Management	21	7	7
Housing Benefits & Council Tax Reduction Scheme	21	15	15
Capital Management & Accounting	21	7	7
Health and Safety	20	10	10
Discretionary Grants	20	8	8
Brown Bins	19	10	10
Travel and Subsistence	18	8	8
Housing Development	18	10	10
Petty Cash Procedures	17	2	2
HR Management	16	10	10
Planning appeals	15	10	10
Street Naming and Numbering	4	4	4
TOTAL DAYS		**218**	**218**
5 Councils Partnership		10	10
Town and Parish Council Client Work		15	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: 26 March 2018

Statement of accounts 2017/18

Recommendations

(a) To note progress on completing the 2017/18 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 2017/18 statement of accounts, and to present revised statements of accounting policies for approval.

Strategic Objectives

2. South – unqualified final accounts helps us demonstrate that finances are effectively controlled and show the council's 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 2017/18 are required to be completed and signed off for audit by the head of finance by 31 May and audited accounts are to be approved by this committee for publication by 31 July. This report brings to the attention of the committee some of the key issues for this year's closedown.

Changes to the accounts for 2017/18

5. There are no new or changed accounting standards, or other technical changes, that need to be reflected in the 2017/18 accounts. Consequently, the accounting policies have no substantive changes from last year other than minor amendments. The draft policies which show tracked changes for the minor amendments made in 2017/18 are attached as Appendix 1 (South Oxfordshire DC) and Appendix 2 (Vale of White Horse DC). The committee is asked to approve these.

Faster closedown

6. As previously reported to this committee, the final accounts deadlines are being brought forward, so that the 2017/18 statement of accounts are 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. For practical purposes, given the Whitsun bank holiday and school half term, a target deadline of Wednesday 16 May 2018 for draft accounts to Head of Finance has been set with target approval by Wednesday 23 May 2018.

7. The Capita accountancy team has timetabled its work around the new deadline. Its achievement, however, is dependent on parties outside of finance providing information strictly according to timetable dates. The crucial deadlines which require support from the council managers and third parties are:

   - March Agresso reports to be reviewed by section heads and accruals returned to Capita Accountancy by close of play 6 April.

   - Pensions liability information from Oxfordshire County Council (expected on 20 April).

   - Council tax and business rates information from Capita's revenues and benefits service by 16 April.

   Property valuations were received in early March and, consequently, this critical piece of accounting will be finished by 30 March, well ahead of previous years.

8. The timetable and guidance was circulated on Monday 29 January and a reminder sent on 21 March.

Financial Implications

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

Legal Implications

10. Approval of the statement of accounts by the committee in accordance with statutory dates fulfils the requirements of the Accounts and Audit (England) Regulations 2015.

Risks

11. None

Other Implications

12. None

Conclusion

13. Draft 2017/18 accounting policies are attached and require approval by the committee.

14. The 2017/18 final accounts close, according to the new accelerated reporting deadline, has been timetabled and opening work already started. Critical deadlines must be understood and kept by parties outside of Capita Accounting to ensure the target delivery dates for the statutory accounts are met.

Statement of accounting policies

(i) General principles

The statement of accounts summarises the council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The council is required to prepare an annual statement of accounts by 31 May 2018 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 2017/18, 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 2018 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.

Post -employment Benefits

Employees of the authority are members of the Local Government Pension Scheme administered by Oxfordshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions).

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 18~~7~~ 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.

Community Infrastructure Levy

The council has elected to charge a Community Infrastructure levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

(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. Charges are made on a straight-line basis over the life of the lease.

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. Credits are made on a straight-line basis over the life of the lease.

(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 when the authority has an obligation ~~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.

(xxiii) Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of

year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Statement of accounting policies

(i) General principles

The statement of accounts summarises the council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The council is required to prepare an annual statement of accounts by 31 May 2018 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 2017/18, 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 2018~~7~~ 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.

Post -employment Benefits

Employees of the authority are members of the Local Government Pension Scheme administered by Oxfordshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions).

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 18~~7~~ 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.

Business Improvement Districts

A Business Improvement District (BID) scheme applies to an area within the authority. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as the billing authority under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant service within the CIES.

Community Infrastructure Levy

The council has elected to charge a Community Infrastructure levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the CIES in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

(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. Charges are made on a straight-line basis over the life of the lease.

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. Credits are made on a straight-line basis over the life of the lease.

(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 6 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 when the authority has an obligation ~~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.

(xxiii) Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund.

Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Audit and governance work programme

containing Audit and Governance Committee work to be undertaken
1 APRIL 2018 - 30 MARCH 2019

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 2018/19	Joint Audit and Governance Committee 30 July 2018	Sandy Bayley Email: sandy.bayley@southandvale.gov.uk	The council audits its services through the internal audit service in line with the approved internal audit plan 2018/19.	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 2018/19	Joint Audit and Governance Committee 30 July 2018	Sandy Bayley, Email: sandy.bayley@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 2018/19 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 30 July 2018	Sandy Bayley, Email: sandy.bayley@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 2017/18	
External auditor's annual governance reports 2017/18	Joint Audit and Governance Committee 30 July 2018	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 2017/18	
Statements of accounts 2017/18	Joint Audit and Governance Committee 30 July 2018	Richard Spraggett, Email: richard.spraggett@southandvale.gov.uk	The councils must produce statements of accounts each year.	To approve the statements of accounts 2017/18	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Annual governance statements 2017/18	Joint Audit and Governance Committee 30 July 2018	Ron Schrieber, Email: ron.schrieber@southandvale.gov.uk	The councils are required to publish annual governance statements	To approve the annual governance statements 2017/18	
Letters of representation to the council's external auditor	Joint Audit and Governance Committee 30 July 2018	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	
Comments and complaints 2017/18	Joint Audit and Governance Committee 15 October 2018	Mark Stone, Email c/o: sharon.lee@southandvale.gov.uk	The committee is responsible for monitoring the councils' comments and complaints.	To review the comments and complaints received during 2017/18	
Risk Management Update	Joint Audit and Governance Committee 15 October 2018	Yvonne Cutler-Greaves, Email: Yvonne.cutler-greaves@southandvale.gov.uk	The committee agreed to receive regular progress reports on the implementation of the risk management framework	To review and comment on progress	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
External auditor's annual audit letter	Joint Audit and Governance Committee 15 October 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 2017/18 .	
Internal audit annual report 2017/18	Joint Audit and Governance Committee 30 July 2018	Sandy Bayley, Email: sandy.bayley@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 2017/18	
Treasury management outturn 2017/18	Joint Audit and Governance Committee 15 October 2018	Richard Spraggett, Email: richard.spraggett@southandvale.gov.uk	The committee is responsible for the scrutiny of the councils' treasury management activity.	To consider the treasury management outturn for 2017/8	
External auditor's report on the certification of claims and returns 2017/18	Joint Audit and Governance Committee 28 January 2019	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor to report on certification and other assurance work.	To consider the external auditor's report	
External auditor's audit planning reports 2018/19	Joint Audit and Governance Committee 28 January 2019	William Jacobs, Email: william.jacobs@southandvale.gov.uk	The external auditor to report on how it intends to carry out its responsibilities as auditor	To consider the external auditor's report	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Treasury management mid-year monitoring 2018/19	Joint Audit and Governance Committee 28 January 2019	Richard Spraggett, Email: richard.spraggett@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 2018/19 financial year.	
Treasury management strategies 2018/19	Joint Audit and Governance Committee 28 January 2019	Richard Spraggett, Email: richard.spraggett@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	
Code of Conduct – annual report	Joint Audit and Governance Committee 25 March 2019	Margaret Reed, Email: margaret.reed@southandvale.gov.uk	The Committee has responsibility for having an overview of the standards of conduct framework for councillors, any co-opted members and parish councillors.	To review complaints received under code of conduct.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Risk Management Update	Joint Audit and Governance Committee 25 March 2019	Yvonne Cutler-Greaves, Email: Yvonne.cutler-greaves@southandvale.gov.uk	The committee agreed to receive regular progress reports on the implementation of the risk management framework	To review and comment on progress	
Internal audit plan 2019/20	Audit and Governance Committee 25 March 2019	Sandy Bayley, Email: sandy.bayley@southandvale.gov.uk	The council audits its services through the internal audit service.	To approve the internal audit plan for 2019/20	
Review of statement of accounting policies	Joint Audit and Governance Committee 25 March 2019	Richard Spraggett, Email: richard.spraggett@southandvale.gov.uk	To audit and review the policies and principles used when compiling the 2018/19 accounts.		