

Audit and Governance Committee Agenda



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Date: 13 September 2013
Website: www.whitehorsedc.gov.uk

A meeting of the
Audit and Governance Committee
will be held on Monday 23 September 2013 at 6.30pm
Council Chamber, The Abbey House, Abingdon

Members of the Committee:

Councillors

Simon Howell (Chairman)
Mohinder Kainth (Vice-Chairman)
St John Dickson
Dudley Hoddinott
Angela Lawrence

Pat Lonergan
Sandy Lovatt
Kate Precious
Judy Roberts
Andrew Skinner

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A handwritten signature in black ink that reads 'M Reed'.

Margaret Reed
Head of Legal and Democratic Services

Agenda

Open to the Public including the Press

Map and vision

(Page 5)

A map showing the location of the venue for this meeting is attached. A link to information about nearby car parking is http://www.whitehorsedc.gov.uk/transport/car_parking/default.asp

The council's vision is to take care of your interests across the Vale with enterprise, energy and efficiency.

1. Notification of substitutes and apologies for absence

To record the attendance of substitute councillors, if any, who have been authorised to attend in accordance with the provisions of standing order 17(1), with notification having been given to the proper officer before the start of the meeting and to receive apologies for absence.

2. Minutes

(Pages 6 - 11)

To adopt and sign as a correct record the minutes of the meeting of the committee held on 24 June 2013 (previously published).

3. Actions arising

(Pages 12 - 14)

To review the actions arising from the last two committee meetings and receive an update on progress.

4. Declarations of interest

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

5. 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.

6. Statements, petitions, and questions from the public relating to matters affecting the Audit and Governance Committee

Any statements, petitions and questions from the public under standing order 32 will be made or presented at the meeting.

7. Review of complaints received during 2012/13

(Pages 15 - 29)

To consider the chief executive's report.

8. Internal audit activity report - quarter 2, 2013/14

(Pages 30 - 51)

To consider the audit manager's report.

9. Internal audit management report - quarter 2, 2013/14

(Pages 52 - 61)

To consider the audit manager's report.

10. External auditor's audit results report 2012/13

To consider the external auditor's audit results (ISA 260) report 2012/13. **TO FOLLOW**

11. Letter to those charged with governance

To note the letter to those charged with governance. **TO FOLLOW**

12. Letter of representation

The committee chairman and the section 151 officer to sign the letter of representation. **TO FOLLOW**

13. Statement of accounts 2012/13

To consider the draft statement of accounts for 2012/13 (see separate document). Reporting officer: William Jacobs **TO FOLLOW**

Recommendation: to approve the statement of accounts 2012/13 and authorise the signing of the letter of representation.

14. Annual governance statement 2012/13

(Pages 62 - 81)

To consider the annual governance statement 2012/13.

RECOMMENDED: To approve the annual governance statement 2012/13 to form part of the statement of accounts.

15. Treasury management outturn 2012/13

(Pages 82 - 95)

To consider the head of finance's report.

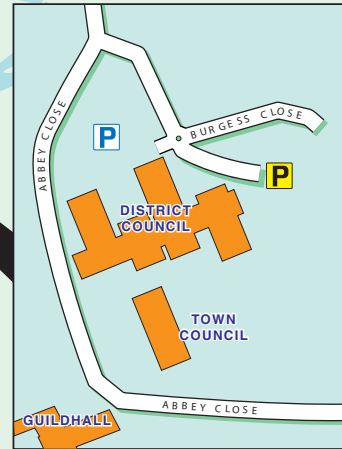
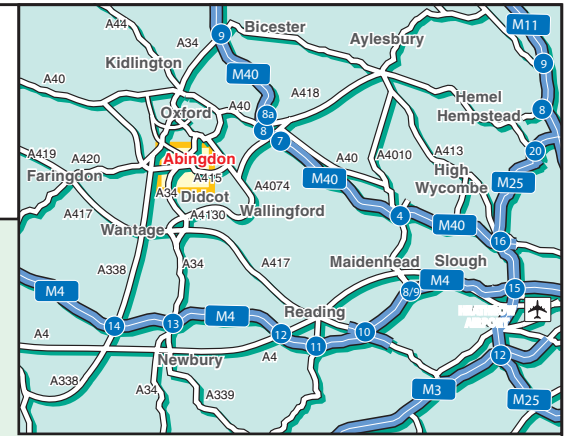
16. Audit and governance work programme

(Pages 96 - 99)

To review the audit and governance work programme.

Exempt information under Section 100A(4) of the Local Government Act 1972

None



KEY: Car Parks

	Abbey Close
	Cattle Market
	Charter Multi-storey
	Civic
	Rye Farm
	Hales Meadow
	Audlett Drive
	West St Helen Street

By rail – the nearest main line railway stations to Abingdon are either Didcot Parkway (seven miles) or Oxford (eight miles). Radley railway station is located on the main line between Oxford and Didcot and is three miles from Abingdon town centre. For details of train times visit www.nationalrail.co.uk or call 08457 484950

By bus – there are a number of bus routes serving Abingdon town centre. For details of services and timetables, visit Oxfordshire County Council’s website at www.oxfordshire.gov.uk. Contact details for bus operators can be found on the travel information pages on our website www.whitehorsedc.gov.uk

Parking – details of car parks charges can be found on our website

Minutes

of a meeting of the

Audit and Governance Committee

held at 6.30pm on Monday 24 June 2013
at the Council Chamber, The Abbey House, Abingdon

Open to the public, including the press

Present:

Members: Councillors Simon Howell (Chairman), Mohinder Kainth (Vice-Chairman), St John Dickson, Dudley Hoddinott, Angela Lawrence, Pat Lonergan, Sandy Lovatt, Kate Precious, Judy Roberts and Andrew Skinner

Officers: Steve Bishop, Steve Culliford, Andrew Down and William Jacobs

External auditor: Maria Grindley (Ernst & Young)

Number of members of the public: Nil

AG.1 Notification of substitutes and apologies for absence

None

AG.2 Minutes

RESOLVED: to adopt as a correct record the minutes of the committee meeting held on 20 March 2013 and agree that the chairman signs them.

AG.3 Actions arising

The committee considered the strategic director's report on actions arising from previous committee meetings and updated the schedule.

RESOLVED: to update the actions arising schedule as follows:

(a) Internal audit activity report – quarter 2 2012/13	Committee Date – 26 September 2012
The committee asked the audit manager to follow up the need to reconcile weighbridge data for the amount of recycled waste collected.	
Comment The waste team have completed a reconciliation spot check of Q1 2012/13,	Action Remove from actions arising list.

<p>and are aware that they need to complete further spot checks. Internal audit will continue to monitor progress against this recommendation.</p> <p>Internal audit has reviewed the reconciliations that are now being undertaken, and is satisfied that they are comprehensive and are being completed on a monthly basis.</p>	
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(b) Business continuity and risk management update	Committee Date – 20 March 2013
The committee asked the strategic director to ensure that business continuity and risk management arrangements were in place for all of the council's major contracts when they are re-let or extended.	
Comment Response emailed to committee members on 13 June 2013.	Action Remove from actions arising list.

(c) Internal audit activity report fourth quarter 2012/13	Committee Date – 20 March 2013
The committee asked the officers to advise Councillor Johnston whether the internal audit recommendation to train staff at the council's mobile home parks was in hand.	
Comment Information provided to Councillor Johnston on 26 March 2013. The committee asked that this information was also sent on to all committee members.	Action Retain on actions arising list.

(d) Internal audit activity report fourth quarter 2012/13	Committee Date – 20 March 2013
The committee asked the officers to report on the ways in which the council's insurance officer advises Wantage Civic Hall staff of the insurance arrangements in place and to consider if such communications should be enhanced in any way.	
Comment Head of finance to respond.	Action Retain on actions arising list.

(e) Audit and governance work programme	Committee Date – 20 March 2013
The committee asked the officers to arrange an informal question and answer session on the statement of accounts in the summer 2013.	
Comment The annual statement of accounts will be presented for the chief finance officer's signature by 28 June 2013 and the audited accounts will be presented to the committee on 23 September 2013. An informal question and answer session will be held on 16 September 2013 so councillors will have the latest and most accurate version.	Action Retain on actions arising list.

(f) Audit and governance training	Committee Date – 20 March 2013
The committee asked the officers to carry out a training needs assessment of committee members.	
Comment Training needs assessment carried out in spring 2013.	Action Remove from actions arising list.

AG.4 Declarations of interest

None

AG.5 Urgent business and chairman's announcements

None

AG.6 Statements, petitions, and questions from the public relating to matters affecting the Audit and Governance Committee

None

AG.7 Risk management and business continuity strategies

The committee considered the report from the head of HR, IT, and customer services. This sought the committee's agreement to approve the business continuity strategy and the risk management strategy for 2013 to 2016.

Despite there being no significant changes from the previous strategies, the committee noted that the two updated strategies would help the council to:

- continue to provide public services in the event of a business disruption
- embed business continuity arrangements by setting out the means of continuing service delivery in the event of a disruption
- meet its strategic and operational objectives and improve service delivery
- simplify arrangements and achieve economies of effort through having a single process for both the Vale of White Horse and South Oxfordshire district councils
- comply with the Civil Contingencies Act 2004 and audit regulations
- embed the risk management process by setting out the means of identifying and managing risks
- meet its strategic and operational objectives, improve service delivery and support better project management

The committee noted that the county council emergency planning team ran exercises to test the council's business continuity arrangements. Councillors supported the proposed strategies but suggested that the business continuity strategy should refer to the frequency of business continuity testing exercises.

RESOLVED: to approve the business continuity strategy and the risk management strategy for the period 2013 to 2016, subject to amending the business continuity strategy to refer to the frequency of business continuity testing exercises.

AG.8 Internal audit annual report 2012/13

The committee considered the report of the audit manager on the work of the council's internal audit team during the year 2012/13. The audit manager gave an unqualified opinion of satisfactory assurance to the council's risk management, control, and governance processes, and confirmed that there was a sound system of internal control. Where internal audit had identified weaknesses, the team had agreed improvement actions with service managers.

The committee noted that the audit manager was pleased with the internal audit team's performance during the year; the committee concurred and congratulated the manager and her team.

RESOLVED: to note the internal audit annual report for 2012/13 and congratulate the audit manager and her team on their performance during the year.

AG.9 Internal audit activity - quarter one 2013/14

The committee considered the audit manager's report on internal audit activity in the first quarter 2013/14, covering April to June 2013. Of the audits referred to in the report, three had received a full assurance rating from internal audit, and four had received a satisfactory rating. In this quarterly report, there were no audit reports with limited or nil assurance. The report also referred to five follow-up audits, of which one had received full assurance, three were satisfactory, and one had received limited assurance from internal audit.

The audit manager only brought limited or nil assurance audit reports to the committee meetings for consideration. However, the audit manager sent to all committee members every internal audit report produced. The strategic director agreed to check this occurred. Committee members could then request any internal audit report to appear on the committee's agenda for debate at the meeting. With this safeguard, the committee supported this form of exception reporting.

The committee also noted appendix 1, which updated on the systemic control weaknesses identified by internal audit. These were recurring weaknesses identified across a number of service areas and included policies and procedures not being comprehensive, up-to-date, not being the responsibility of a single officer. The committee agreed to monitor these weaknesses carefully.

RESOLVED: to

- (a) note the internal audit activity report for the first quarter in 2013/14;
- (b) confirm the method of exception reporting of internal audit reports whereby every internal audit report is sent to every committee member, but only limited or nil assurance rated audit reports are brought to the committee for consideration unless a committee member requests that any satisfactory or full reports should also be considered;
- (c) request the strategic director to ensure that all committee members are sent every internal audit report; and

- (d) monitor the systemic control weaknesses carefully.

AG.10 Internal audit management report - quarter one 2013/14

The committee considered the audit manager's report on management issues within internal audit service during the first quarter 2013/14. The committee noted that the audit manager was to commence maternity leave shortly and the head of finance had appointed a temporary audit manager, Craig Pullen, on a part-time basis to cover this work.

RESOLVED: to note the internal audit management report for the first quarter of 2013/14.

AG.11 External auditor's report

The committee considered the external auditor's progress report. Maria Grindley of Ernst & Young, the council's external auditor, reported that since September 2012, she had tested some of the council's control mechanisms and was conducting a value for money assessment. Work would start in the summer to certify the council's grant claims from the government and audit the council's statement of accounts. As the council would not be introducing a fixed asset system before compiling the 2012/13 accounts, this would not be included in this year's audit work. However, work had commenced on auditing the fixed asset adjustments.

The committee noted that although the external auditor used to have a statutory responsibility to conduct benchmarking of councils through comprehensive performance assessment, this was no longer required. The external auditor's role was now to audit the council's financial arrangements. However, the auditor also had a duty to alert the council to any issues or suggest good practice from other councils.

Following a suggestion from the committee, the strategic director agreed to consider consulting on the public's comprehension of council financial information such as the statement of accounts and budget.

RESOLVED: to

- (a) note the external auditor's progress report; and
- (b) request the strategic director to consider consulting on the public's comprehension of council financial information.

AG.12 Draft Annual Governance Statement 2012/13

The committee considered the draft annual governance statement for 2012/13. This statement would accompany the statement of accounts and was open to the committee and the council's external auditors to suggest any improvements before the committee adopted the statement at its meeting in September.

The committee suggested that the officers:

- reviewed paragraph 75 to better explain the council's budget-making process in 2012/13

- made reference in paragraph 115 to the committee's role in dealing with code of conduct complaints against district, town and parish councillors

The chairman asked committee members to submit any suggested amendments to Democratic Services before the next committee meeting.

RESOLVED: to amend the draft annual governance statement 2012/13 as set out above and consider any further suggestions from committee members before the next committee meeting.

AG.13 Audit and governance work programme

The committee reviewed its work programme for the remainder of 2013.

The committee queried whether internal audit should carry out an audit of the planning service given its current weak performance. The strategic director reported that although the board report showed that the time taken to determine planning applications was below target, an audit of the service looked at internal controls and financial arrangements, which were not directly related to performance. He agreed to send committee members a copy of the recent internal audit report of the development management part of the planning service.

RESOLVED: to

- (a) note the committee's work programme; and
- (b) request the strategic director to circulate a copy of the recent internal audit report on the development management part of the planning service.

AG.14 Training

The committee noted that a training session had taken place on 12 June 2013 when the audit manager trained four new committee members on the role of internal audit and the committee's role in ensuring that the council's systems were robust. A further training session would be held on 9 July for councillors on treasury management. The committee also noted that there would be a briefing and question/answer session for committee members on 16 September on the committee's role in approving the statement of accounts. The officers agreed to organise a further training session for committee members on treasury management before the committee reviewed the council's treasury management strategy in January 2014.

RESOLVED: to continue to hold training sessions for committee members as outlined above.

Exempt information under section 100A(4) of the Local Government Act 1972

None

The meeting closed at 8.10 pm

Audit and Governance Committee Report



23 September 2013

Report of: **Strategic Director**

Author: **Steve Culliford**

Telephone: **01235 540307**

E-mail: steve.culliford@southandvale.gov.uk

To: **Audit and Governance Committee**

Date: **23 September 2013**

Wards Affected
All

Actions arising

Recommendation

That members note the content of the report

Purpose of report

1. The purpose of this report is to respond on actions arising from previous committee meetings.

Strategic objectives

2. To assist the council to manage its business effectively by providing an assurance framework to monitor the overall adequacy and effectiveness of the internal control environment.

Actions arising

(a) Internal audit activity report fourth quarter 2012/13	Committee Date – 20 March 2013
The committee asked the officers to advise the Councillor Johnston whether the internal audit recommendation to train staff at the council's mobile home parks was in hand.	
Comment Information provided to Councillor Johnston on 26 March 2013. At the committee's request, the same information was sent to all committee members on 25 June 2013.	Action Recommend removal from actions arising list.

(b) Internal audit activity report fourth quarter 2012/13	Committee Date – 20 March 2013
The committee asked the officers to report on the ways in which the council's insurance officer advises Wantage Civic Hall staff of the insurance arrangements in place and to consider if such communications should be enhanced in any way.	
Comment Head of finance will respond.	Action Retain on actions arising list.
(c) Audit and governance work programme	Committee Date – 20 March 2013
The committee asked the officers to arrange an informal question and answer session on the statement of accounts in the summer 2013.	
Comment The annual statement of accounts will be presented to the committee on 23 September 2013. An informal question and answer session will be held on 16 September 2013 so councillors will have the latest and most accurate accounts.	Action Recommend remove from actions arising list.
(d) Internal audit activity – first quarter 2013/14	Committee Date – 24 June 2013
The committee asked the strategic director to ensure that every internal audit report is sent all committee members.	
Comment The audit manager has confirmed that all committee members are sent copies of every internal audit report.	Action Recommend remove from actions arising list.
(e) Internal audit activity – first quarter 2013/14	Committee Date – 24 June 2013
The committee agreed to monitor the systemic control weaknesses carefully.	
Comment The committee agreed to monitor the systemic control weaknesses to assess whether improvements are being made and if not, to determine a course of action.	Action Retain on actions arising list.
(f) External auditor's report	Committee Date – 24 June 2013
The committee asked the strategic director to consider consulting on the public's comprehension of council financial information.	
Comment The strategic director will consider using the citizens' panel to assess comprehension of financial information.	Action Retain on actions arising list.
(g) External auditor's report	Committee Date – 24 June 2013
The committee asked the strategic director to circulate a copy of the recent internal audit report on the development management part of the planning service.	
Comment The development management internal audit report was circulated to all committee members by email on 25 June 2013.	Action Recommend removal from the actions arising list.

(h) Training	Committee Date – 24 June 2013
The officers agreed to organise a further training session for councillors on treasury management, preferably shortly before the January 2014 committee meeting when the treasury management strategy will be discussed.	
Comment This training has been arranged for Monday 27 January 2014 at 6pm with the committee meeting to follow at 7pm.	Action Recommend removal from the actions arising list.

STEVE BISHOP
STRATEGIC DIRECTOR

Audit and Governance Committee Report



Report of: Chief Executive

Author: Jeanette Cox

Telephone: 01235 540303

E-mail: jeanette.cox@southandvale.gov.uk

Wards affected: All

Cabinet member responsible: Matthew Barber

Tel: 01235 540391

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

To: Audit and Governance Committee

Date: 23 September 2013

Review of complaints received during 2012/13

Purpose of report

1. The purpose of this report is to provide the committee with information and statistics about the complaints received during 2012/13.

Corporate objectives

2. By analysing complaints we can identify any trends and introduce service improvements, where necessary, thereby supporting the corporate objective to put residents at the heart of service delivery and seek to provide an excellent customer experience.

Background

THE COMPLAINTS PROCEDURE

3. The main benefits of having a council-wide procedure for dealing with complaints are that:
 - members of the public know what to do if they have a complaint and how we will deal with it
 - staff can be confident about what to do when they get a complaint
 - everyone is treated fairly and equally
 - by analysing complaints we can improve our services.
4. A good complaints procedure gives us the opportunity to show that we want to be open and honest; that we care about providing a good service and that we value feedback on problems that need attention. Our procedure has three stages:

Stage one

The head of service responds, or arranges for a member of their team to respond on their behalf, within 15 working days of receipt of the complaint. All complaints are logged on our complaints database, which generates daily automatic reminder emails from two working days prior to the target date and continues to do so until details of the response have been entered.

Stage two

The relevant strategic director responds within 15 working days of receipt of the request to escalate the complaint to stage two. Again, the complaints database generates daily automatic reminder emails from two working days prior to the target date.

Stage three

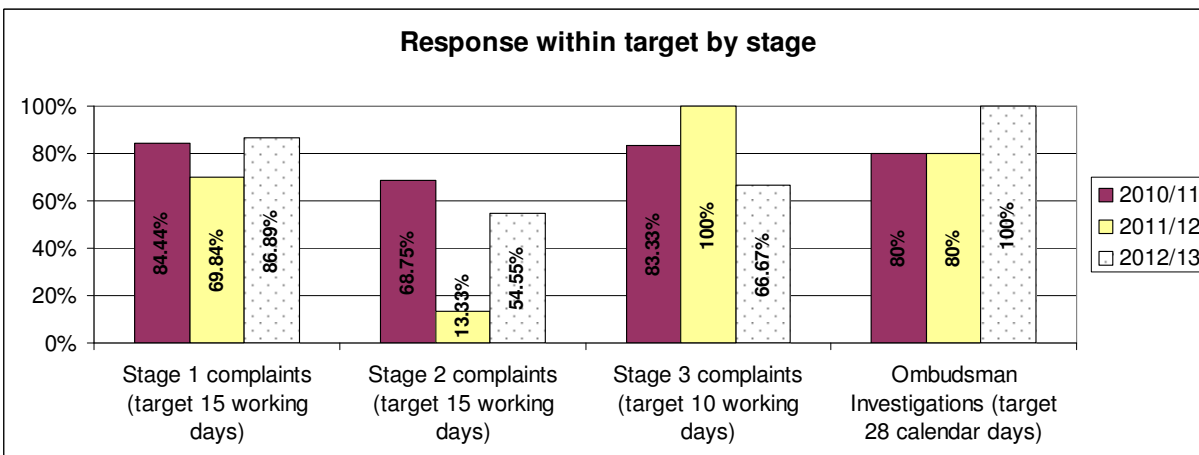
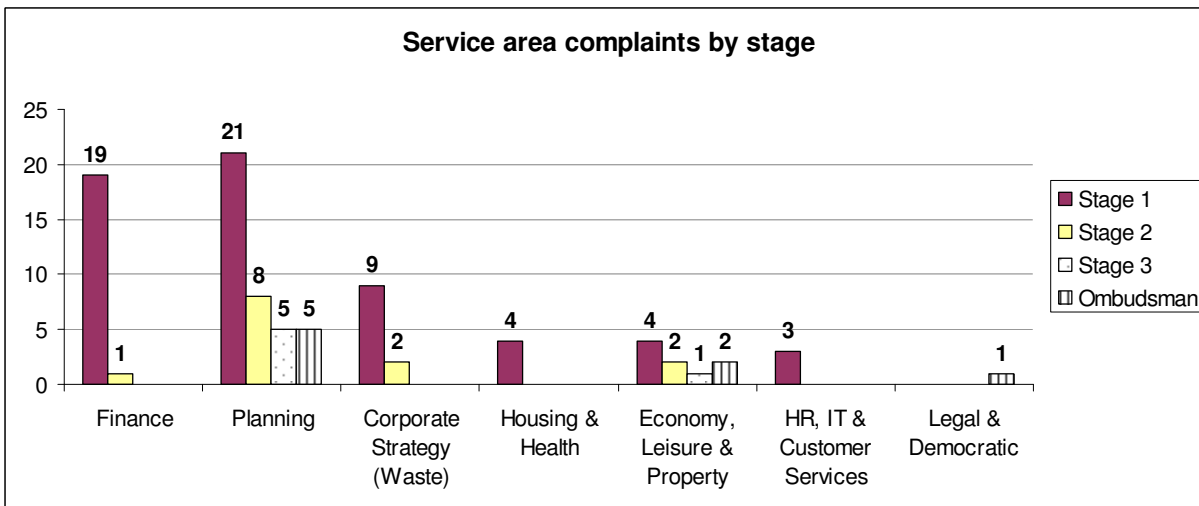
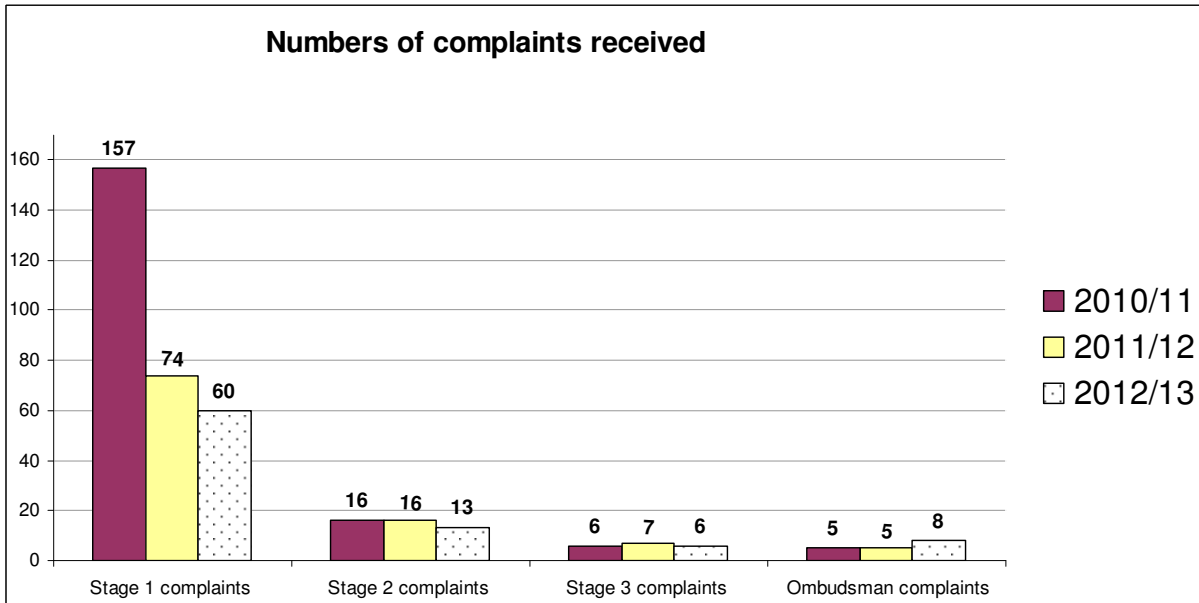
The complainant can either write to the chief executive, within six weeks of the strategic director's response, asking for district councillors to consider their complaint or, if they prefer, they can bypass this stage and take their complaint to the Local Government Ombudsman (LGO). If s/he writes to the chief executive, he will decide whether or not there is merit in referring the complaint to a panel of councillors. Our procedure does not specify a response time; however, the chief executive aims to advise the complainant of his decision in accordance with our published service standards, i.e. within ten working days of receipt of the request. The chief executive consults the leader of the council and the leader of the opposition and if, in their view, there is merit in referring the complaint to councillors, we will convene a special complaints panel.

5. If, having followed these three stages, the complainant remains dissatisfied; s/he has the right to ask the LGO to investigate their complaint.

COMPLAINTS STATISTICS

6. Complaint statistics are reported monthly in the Board Report, which is available to councillors via a web link in the Councillors' Information Sheet. The Board Report is also available to the public on our website.

Statistics



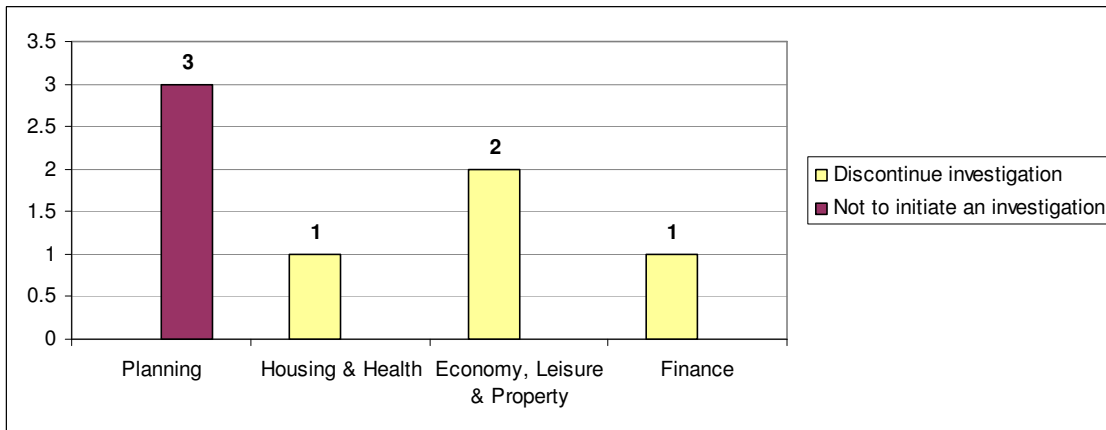
10. Six of the eight stage three complaints were dealt with well within target. The delays in dealing with the other two were because one was received during the period leading up to the PCC elections (the chief executive was heavily involved in this work) and one was sent to a strategic director the day before the Christmas break; as a consequence, the chief executive did not receive it until the second week of the New Year.

LGO investigations

11. The LGO changed its business processes during the course of 2012/13 and was therefore not able to provide a consistent set of data for the entire year. As it has been unable to provide the detailed information received in previous years, we have taken the data below from our own records.

12. We responded to investigations within an average of 21.4 days, which is higher than last year's average of 18.2, but still well below the target of 28 calendar days set by the LGO.

13. During 2012/13 the LGO determined seven complaints; the same as during the previous year. The following table provides details by service area of those complaints.



14. A summary of these complaints is attached at appendix one.

Categories of Ombudsman Complaints

15. The LGO categories are:

Not to initiate an investigation:

Where the LGO has decided not to investigate for one of the following reasons:

No power to investigate – complaints that the law does not allow the LGO to investigate

No reason to use exceptional power to investigate – complaints that the law says the LGOs should generally not investigate but gives an exceptional power to do so

Investigation not justified and other – complaints where the LGO has used her general power and not pursued the complaint. This can be for a variety of reasons, including that the injustice claimed does not warrant the public expense of the LGO's involvement or that another organisation could deal with the matter better.

Discontinue Investigation:

Where the LGO has discontinued an investigation for one of the following reasons:

Not enough evidence of fault – decisions where the LGO found insufficient evidence that the council was at fault.

Injustice remedied during enquiries – decisions where the council remedied or agreed to remedy any injustice to the LGO's satisfaction during the investigation.

No or minor injustice and other – decisions where we have used the LGO's general power to discontinue the investigation. This can be for a variety of reasons, but the most common is that any injustice caused does not justify the public expense of pursuing the matter further.

16. No maladministration has ever been found against this council.

Financial implications

17. There are no financial implications arising directly from this report.

Legal implications

18. There are no legal implications arising from this report.

Risks

19. Having a formal complaints procedure allows us to analyse complaints and improve services where necessary; it also gives members of the public clarity about what to do if they have a complaint, and how we will deal with it. If we did not have a formal procedure, we would be unable to carry out such analysis, with the risk that we would fail to make service improvements.

Other implications

20. There are no human resources, sustainability, equality or diversity implications arising directly from this report.

Conclusion

21. This report sets out the statistical data for complaints and received during 2012/13.

Background papers

22. None.

OMBUDSMAN DECISIONS – 1 APRIL 2012 TO 31 MARCH 2013

1. Ombudsman decision – discontinue investigation**Decision date – 28 June 2012****Ombudsman main subject area – highways and transport****Complaint**

That the council's publicity when introducing two hours free parking did not advise that car park users had to obtain and display a ticket. As a result Ms A incurred an excess charge notice (ECN) as she did not display a ticket.

Background

The complainant parked in a council owned car park. Although she was aware that we had recently introduced free parking for two hours as it had been widely publicised, she claimed that the publicity did not state that users had to obtain tickets for free parking. The complainant further stated that a council officer had advised her of the introduction of free parking but had not informed her of the need to obtain a ticket.

Ombudsman's conclusions

The ombudsman's investigator concluded that, although the publicity did not explain that users had to obtain a ticket, there were a number of signs located around the car park which notified users that they must display a ticket, including during the free two hours parking. The investigator considered that these were sufficient to notify the Ms A that she had to obtain a ticket and added that the onus was on the user to ensure they knew the terms of the parking scheme before leaving their car.

2. Ombudsman decision – discontinue investigation**Decision date – 29 January 2012****Ombudsman main subject area – highways and transport****Complaint**

That Ms B was not notified of recovery action and subsequent bailiff action to recover an unpaid ECN.

Background

Ms B received an ECN on 24 February 2012 for failing to display a valid car parking ticket. Her appeal against the ECN failed and the head of service advised that he would extend the period for paying the reduced fine for a further ten days but that, if she chose not to pay, he would refer the matter to our legal team. He added that, if a summons was issued, Ms B would have the chance to make her case in court.

An officer subsequently wrote to Ms B on 4 May to advise that the ECN was still outstanding and wrote again on 18 May; neither letter was returned by the post office. On 15 June officers sent a formal S112 notice, by recorded delivery, asking Ms B to

provide information about the driver of the vehicle and the ECN; she returned the completed form on 27 June.

Officers then applied to the court for a summons and sent this to Ms B on 7 September by first class post; it was not returned.

To summarise, officers sent all correspondence to Ms B to the same address and the formal S112 notice was received, completed and returned by her. The assumption is that she also received the summons, as it was sent to the same address and was not returned, and this assumption was accepted by the court.

There was a hearing on 19 October and Ms B was fined £100, with costs of £100 and victim surcharge of £15; the court notified her of the outcome.

Ms B claimed that, as she was unaware of the summons, it was possible for her to file a statutory declaration to that effect to the court. The court could then set aside the conviction and sentence, officers could reissue the papers and the matter could proceed in the normal way.

Ombudsman's conclusions

The ombudsman's investigator said that it was unfortunate Ms B did not receive the summons, but she could not say it was not sent. The investigator added that Ms B could file a statutory declaration with the court and the court could then consider whether the sentence could be set aside; she concluded that it was reasonable for Ms B to do this. The investigator added that, even if this were not the case, she could not say there had been administrative fault by the council.

3. Ombudsman decision – discontinue investigation

Decision date – 30 April 2012

Ombudsman main subject area – environmental services and public protection and regulation

Complaint

That the council failed to take adequate action in relation to noise nuisance caused by dogs barking and chickens.

Background

Ms C first wrote to us in October 2008 to complain about dogs barking at a neighbouring property. Officers wrote to the dog owner asking her to make every effort to reduce the barking to acceptable levels. They also wrote to Ms C asking her to complete a diary of the nuisance if the barking did not improve.

Ms C returned completed diary sheets in November 2008 and advised the situation had not improved. An officer spoke to her in December 2008 when she confirmed there were no longer any significant problems with the dogs and the case was therefore closed.

In December 2008 Ms C wrote to complain about the noise from chickens at another neighbouring property. Officers wrote to the owner of the chickens asking her to make

every effort to reduce the noise to acceptable levels. They also wrote to Ms C asking her to complete a diary of the nuisance if the noise from the chickens did not improve.

An officer visited the owner of the chickens in January 2009 to see the conditions in which the chickens were kept. The officer noted the chickens were quiet during that visit. As Ms C had not returned any diary sheets, or made any further complaints, the case was closed on 29 February 2009.

On 17 April 2009 Ms C made a further complaint about noise from the chickens and a cockerel; another neighbour made a similar complaint. Officers again wrote to the owner of the chickens asking her to take action to reduce any noise. In addition, officers installed noise recording equipment at Ms C's property for a week; there was no evidence of nuisance on the recordings.

In May 2009 the owner of the chickens advised officers that she no longer had the cockerel and the complaint was closed in June 2009.

Ms C contacted us again in July 2009. She completed diary sheets showing regular noise from the chickens lasting between five and 30 minutes at a time. Officers installed noise recording equipment in her home for a week, but no evidence of noise was recorded; they therefore closed the complaint.

Ms C wrote again in January 2010 to complain about dogs barking and the noise from chickens. Officers again installed noise recording equipment and chickens and some distant barking could be heard on the records. The recordings did not, however suggest the existence of a nuisance. Only limited distant barking was recorded and the chickens did not seem intrusive inside Ms C's property. Officers could also hear Ms C's window being opened and the microphone apparently being pushed through the open window. Officers advise all complainants not to move the recording equipment as they need to witness noise levels inside the property. Officers consider these actions invalidated the recordings and were unable to use them as evidence.

Ms C contacted officers again about dogs barking and noise from chickens in March and April 2010. She did not provide any diary sheets or make any further complaints and the complaints were therefore closed in June 2010. Later that month she complained again about dogs barking.

Officers did not contact the dog owner at this stage as she had advised officers she no longer had dogs at her property. Officers installed recording equipment again in September 2010 but the recordings did not suggest a nuisance as there was very little dog barking recorded and only one example of chickens, which did not seem intrusive. Officers suggest the recording equipment was moved again to record the noise from chickens through an open window. Officers wrote to Ms C on 30 September 2010 to advise there was no evidence of nuisance and there was no further action they could take.

Ms C contacted officers again in July 2011 to complain about dogs barking at her neighbour's property. She did not return any diary sheets detailing the nuisance but an officer visited the property in July 2011. His notes record that he heard nothing during his visit and officers again closed the complaint.

Ms C made a formal complaint in October 2011 and subsequently reported that the situation had deteriorated significantly. Rather than install recording equipment again, officers visited the site on five separate occasions to assess the noise. They made

observations from Ms C's rear garden and inside her property and from the street outside both her property and the dog owner's properties. No evidence of nuisance was discovered.

Officers concluded that the noise Ms C was experiencing did not meet the statutory nuisance criteria and were therefore unable to take any further action. They suggested Ms C consider a private action to the magistrates' court under the Environmental Protection Act 1990.

Ombudsman's conclusion

The ombudsman's investigator concluded that officers had investigated the complaints in accordance with council policy. They had installed noise monitoring equipment on four occasions and visited the property but had decided that neither the dogs barking, nor the noise from chickens, amounted to a statutory nuisance. The investigator said that this was a matter for the officers' professional judgement and the ombudsman does not question the professional judgement of council officers unless she believes it is utterly unreasonable, which was not the case here.

4. Ombudsman decision – discontinue investigation

Decision date – 20 April 2012

Ombudsman main subject area – benefits and tax

Complaint

That the council failed to process Ms D's council tax benefit and housing benefit claims properly during 2011.

Background

Ms D was in receipt of council tax and housing benefit. An officer visited her in May 2011 to obtain details of increases to her state pension in April 2011, her private pension in April and again in May 2012 and a change in the amount of rent she had to pay. In addition, Ms D turned 65 in May 2011, which had an impact on her benefit entitlements.

Officers re-assessed her claim and considered her entitlement had reduced, resulting in overpaid benefit of £107.20 between April and June 2011. However, in reaching that view officers had failed to take account of the increase in rent and the change to Ms D's entitlement when she was 65 years of age.

Ms D contacted officers to advise that the increase in rent had not been taken into account and the subsequent amendment in July 2011 was backdated to May 2010 rather than the correct date of May 2011. This led to officers believing they had underpaid benefit of £221.25 since May 2010. After taking account of the £107.20 overpayment, officers refunded £116.20 to Ms D.

Ms D contacted officers again on 20 July 2011 because she did not think they had taken account of the changes to her pension from the correct dates. She felt that the effect of the increased income should be applied from the date it was actually paid rather than the beginning of the month to which it applied. When officers reviewed the claims and properly took account of her rent they recognised they had overpaid benefit by £191.36. When they applied the change to her benefit entitlement caused by her birthday, it

created an underpayment of £106.80. The two together meant benefit had been overpaid by £84.57. Officers duly notified Ms D of the overpayment and she submitted an appeal.

Following discussions with Ms D officers agreed to take account of her revised private pension income from 18 April 2011 (April's payment) and 16 May 2011 (May's payment). This was a concession as officers believed they had interpreted the rules correctly and their original action complied with them. Officers recognised that her new state pension took account from 11 April 2011 but confirmed that the rules clearly stated that annual increases to state pensions should be taken into account from the first day of April. They were therefore correct to apply the changes to her state pension from 1 April 2011.

Officers looked again at the overpayment in November 2011, in response to Ms D's complaint and decided to waive it.

Officers confirmed that they assess the quality of the work carried out by our contractor and were satisfied with the overall quality. They also confirmed they had appropriate procedures in place for staff to follow when reaching decisions. They agreed that council officers did make errors in this case and had reiterated correct practice to staff to try and prevent errors happening again.

In this particular case, officers had waived the overpayment of £191.36, which had been caused by our error.

Ombudsman's conclusions

The ombudsman's investigator concluded officers had made some clear errors in Ms D's case but had acknowledged these and explained the actions they had taken to try to ensure errors like these were not repeated. She considered that the decision to waive the overpaid benefit of £191.36 was a reasonable way to acknowledge these errors.

On the basis that officers had taken steps to address the errors, and had provided a reasonable remedy to the complaint, the investigator discontinued her investigation.

5. Ombudsman decision – not to initiate an investigation

Decision date – 21 August 2012

Ombudsman main subject area – corporate and other services

Complaint

That the council failed to refer a complaint about a councillor to an assessment panel of the standards committee.

Background

Mr E submitted a planning application and a councillor asked for that application to go before the planning committee if it was approved. Mr E claimed that this showed bias and a lack of impartiality. The law and the council's constitution recognise that a ward councillor may hold opinions in respect of matters within their ward and that they may express these opinions. The constitution permits ward councillors to attend and address planning committee on applications within their ward.

A constitutional change came into force on 1 January 2012 that allowed councillors only 28 days to call applications to committee; prior to that councillors could call applications to committee right up to the day before an officer determined an application. In this case, the councillor made her request two weeks after the deadline and officers accept that they should have advised the councillor that her request had been received too late. However, by the time the request was received, the case officer had already carried out a preliminary assessment against our policies and concluded that refusal was the correct course of action.

The application was subsequently refused under officer delegated powers.

Mr E requested that his complaint about the councillor be referred to an assessment panel of our Standards Committee. The panel met on 28 June 2012 and decided that no action should be taken on the complaint.

Ombudsman's conclusions

The ombudsman's investigator said that the crux of this matter was that Mr E considered the councillor acted improperly. She added that this fell to be considered by the assessment panel, that this had happened and a decision had been made. The investigator did not consider there was any administrative fault in how the assessment panel reached that decision.

Mr E considered that officers were obstructive or that there was unreasonable delay in referring the matter to the assessment panel. The investigator responded that officers had provided reasonable explanations for the approach they had taken.

The investigator concluded that she did not consider she could not achieve any meaningful outcome for Mr E and could not therefore justify investigating the complaint.

6. Ombudsman decision – not to initiate an investigation

Decision date – 14 December 2012

Ombudsman main subject area – planning and development

Complaint

That the council failed to properly deal with a planning application. In particular it delayed determining the application, unreasonably accepted further evidence from the applicant which changed the application; misled Mr and Mrs F about when the application would be returned to committee and based its 2010 decision on a flawed understanding of planning policy. The council also failed to properly deal with Mr and Mrs F's complaints.

Background

Mr and Mrs F share an access with another site for which a planning application was submitted in July 2007. Committee considered that application in August 2010 and delegated power to the head of planning subject to the completion of a Section 106 agreement. Lengthy discussions with the applicant then followed, including the submission of revised details. Mr and Mrs F submitted a formal complaint on 11 November 2010 about those delays and their concerns about the information on which the decision was based. In his response of 11 April 2011, the head of planning responded apologised for the delay in responding and said that officers would consider

the points Mr and Mrs F had raised before permission was granted. Mr and Mrs F were dissatisfied with that response and submitted a state two compliant on 6 May 2011. The strategic director responded on 6 September 2011 apologising for the delay and advising that the applicant had submitted further information to address Mr and Mrs F's concerns and that the planning committee would consider the application again in November 2011.

Mr and Mrs F wrote again on 21 September 2011 to express dissatisfaction with the strategic director's response. She responded on 8 November saying that it was clear that Mr and Mrs F and the development management manager in planning were interpreting the same policy guidance very differently. She further advised that the planning committee was the final arbiter on such cases and were likely to consider the planning application at its December meeting.

Ombudsman's conclusions

The ombudsman's investigator said that she understood Mr and Mrs F's concerns that the application had not been formally determined more than five years after it was submitted. However, whilst she understood that Mr and Mrs F believed that officers should have acted at an earlier stage to have the application withdrawn, rather than keep consulting on it, she could not see that Mr and Mrs F would have been in a different position had officers done so.

The investigator added that there did appear to be an element of fault in how officers had handled the application. In particular, it seemed to her that officers had agreed for the application to be returned to committee on the basis of the arguments Mr and Mrs F had put forward. It therefore appeared to the investigator that there may have been some merit in Mr and Mrs F's allegation that the report to planning committee in August 2010 was inaccurate. However, the investigator could only say this resulted in significant injustice if planning permission had been granted based on improper consideration; as it was clear this had not happened she saw no reason to pursue that point further.

The investigator said that it was clear there had been significant delays in dealing with Mr and Mrs F's complaints. She added that officers did not appear to have acted in accordance with the council's complaints procedure in that Mr and Mrs F's letter of 21 September had been treated as follow-up to the stage two complaint, rather than a request for consideration at stage three. The investigator considered the strategic director should have advised Mr and Mrs F of their right to request their complaint to be escalated to stage three. She did not, however, consider that this point warranted an ombudsman's investigation, particularly given that officers had already apologised for the delay in dealing with the complaint.

In light of the above, the investigator closed the complaint.

7. Ombudsman decision – not to initiate an investigation

Decision date – 21 June 2012

Ombudsman main subject area – planning and development

Complaint

That the council failed to:

- adequately assess the impact of an extension on the neighbouring property, in particular the loss of sunlight and daylight
- handle a complaint properly.

Background

An application was submitted for an extension and pitched roof to a garage for the property next to Ms G's home, a bungalow. The plans showed the height of the garage would increase in height by approximately one metre to the ridge. The garage was on the boundary and Ms G's flank wall is 1.5 metres from her boundary.

The case officer visited the site and prepared a report. The officer considered that, as the extended garage was located to the north west of Ms G's window and was modest in height the additional impact was not so harmful as to justify refusal of the application.

Mr H objected on Ms G's behalf and said that officers had failed to adequately assess daylight and sunlight loss to the side facing window of a habitable room in Ms G's property. Ms G employed a sunlight and daylight expert who wrote to the council to explain that the development would fall below the acceptable standards for daylight described in available guidance.

Planning committee determined the application on 9 November 2011. Mr H spoke at that meeting and the minutes show that the issues of daylight and sunlight were specifically discussed and that councillors saw photographs taken by officers showing the relationship between the site and Ms G's property, together with her expert's letter. On balance, councillors did not consider the proposal would cause such loss of light to Ms G's window to justify refusing permission; they approved the application voting 11 to two in favour with one abstention.

Mr H complained that the case officer had not assessed the daylight issue and had no training to do so and said the officer's report confused sunlight and daylight. He added that councillors had been advised at the meeting that the design submitted was the only one that could be considered, which was wrong as he had suggested an alternative. He asked for the decision to be revoked, Ms G to be paid compensation, officers to receive appropriate training and various senior officers to be dismissed.

Officers advised that councillors had to consider the application as made and not express a preference for alternatives. Councillors had to judge whether the impact of the proposal on the neighbouring property was acceptable or not. Officers had no reason in this case to require sunlight or daylight assessments as the council's policies do not require this.

Ombudsman's conclusions

The investigator closed the complaint because:

- there was no evidence of administrative fault in the decision making process
- the ombudsman could not achieve a meaningful remedy for Ms G in view of the remedy he had sought.

Audit and Governance Committee Report



23 September 2013

Report of **Interim Audit Manager**

Wards Affected
All

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To: Audit and Governance Committee

DATE: 23 September 2013

Internal audit activity report quarter two 2013/2014

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 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 Craig Pullen, Interim Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic Objectives

3. Managing our business effectively.

Background

4. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the Council's objectives. It assists the Council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary. 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 sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

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

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

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

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

2013/2014 Audit Reports

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

Completed Audits

Full Assurance: 0

Satisfactory Assurance: 5

Limited Assurance: 1

Nil Assurance: 0

	Page Ref	Assurance Rating	No. of Recs.	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
1. Licensing 13/14	34	Limited	15	0	0	7	7	8	8
Lone Worker Working 13/14	N/A	Satisfactory	4	0	0	2	1	2	2
Post Room 13/14	N/A	Satisfactory	4	0	0	0	0	4	4
Env Health Food & Safety 13/14	N/A	Satisfactory	7	0	0	1	1	6	5
Inter-Council Recharges 13/14	N/A	Satisfactory	4	1	1	3	3	0	0
Stock Control 13/14	N/A	Satisfactory	4	0	0	2	2	2	2

Follow Up Reviews

	Page Ref	Original Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
Data Protection 12/13	N/A	Satisfactory	5	1	2	0	2
Mobile Home Parks 12/13	N/A	Satisfactory	11	4	2	4	1

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

Systemic Control Weaknesses

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

Financial Implications

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

Legal Implications

13. None.

Risks

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

CRAIG PULLEN
INTERIM AUDIT MANAGER

1. LICENSING 2013/2014

1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to licensing. The audit has been undertaken in accordance with the 2013/2014 audit plan agreed with the audit and governance committee of Vale of White Horse District Council (VWHDC). The audit has a priority score of 17. 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 guidance to new applicants, licensing policies and procedures are in place and are adhered to;
 - applications and appeals for licences are appropriately processed, issued and accurately recorded;
 - invoices are issued and receipted correctly and in a timely manner;
 - there are appropriate performance management measures in place;
 - licence database and renewals are appropriately managed; and
 - adequate controls are in place to detect and prevent individuals and organisations operating without an appropriate licence.

2. BACKGROUND

- 2.1 The council has a role in the licensing of a range of activities (e.g. the issue of personal and premises licences for the sale of alcohol and provision of late night refreshments). The council licensing team is led by a new shared licensing team leader and includes an enforcement team and business support unit. The environmental protection team (e.g. animal welfare) and food & safety team (e.g. skin piercing) also issue licences, a responsibility which was taken on in March 2012. For the financial year 2012/2013 £117,292 was received for hackney carriage licences and £103,697 was received for other licences.

3. PREVIOUS AUDIT REPORTS

- 3.1 Licensing was last subject to an internal audit follow up review in June 2012 and nine recommendations remained outstanding.
- 3.2 Of the nine recommendations outstanding, seven have been restated. The primary reason for a delay in implementing recommendations has been a delay to the procurement of a new licensing database (**Recs 9-15**).

4. 2013/2014 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 15 recommendations have been raised in this review. Seven are medium risk and eight low risk.

5. MAIN FINDINGS

5.1 **Appropriate guidance, policies and procedures**

5.1.1 The licensing web pages on the council website outline guidance on how to apply for licences, relevant policies and legislation (e.g. the licensing and gambling act). The licensing team are currently going through the process of documenting procedure notes for key processes. A recommendation from the previous audit has been restated (**Rec 10**).

5.1.2 There are no process notes for the environmental protection or food & safety team. Internal audit noted the council licensing and environmental health enforcement policy needs to be reviewed. Two further recommendations have been made as a result of our work in this area (**Recs 1 & 2**).

5.2 **Processing of applications**

5.2.1 The application process varies for each of the licences issued by the council. Internal audit have reviewed the application procedures for each licence, and conducted a spot check to check the information requirements had been adequately communicated to prospective applicants. There were no concerns from the testing for this area. Internal audit reviewed the processing of 10 licence applications to check appropriate and timely administration. There were no concerns from the testing for this area. Currently, the Team Leader (Environment Protection) processes and authorises the issue of licenses. Internal audit noted the licensing authority list has to be updated. Two recommendations have been raised as a result of our work in this area (**Recs 3 and 4**).

5.3 **Processing of invoices**

5.3.1 Internal audit reviewed the process of renewing licenses. Invoices need to be processed for the renewal of certain licenses, and are raised via the Agresso Business World system. Debts are managed in accordance with the council debtor management policy. Payments can be made online or via the cash office. From internal audit's sample testing there were no issues of concern raised. Internal audit did note certain fees and requirements are not outlined on the council website. One recommendation has been raised as a result of our work in this area (**Rec 5**).

5.4 **Performance management**

5.4.1 The shared licensing team leader manages performance with the use of Development and Performance Reviews (DPRs), service plans and team meetings (e.g. quarterly reviews and performance points meetings). Internal audit noted there is no performance management statement or policy. Internal audit sampled 10 performance development plan targets and found them to be adequately detailed and specific, measurable, achievable, relevant and time-bound (SMART).

5.4.2 Internal audit queried performance management in environmental protection and food & safety teams who also issue licenses. Environmental protection performance management framework does not include licensing duties. Internal audit identified minutes had not been recorded for quarterly licensing

team meetings. Two recommendations have been raised as a result of our work in this area (**Recs 6 & 7**).

5.5 Renewals

5.5.1 The renewals process differs for the various licences issued by the council. Internal audit reviewed the renewals processes and reviewed a sample of 10 renewals to check whether they had been administered appropriately.

5.5.2 The renewals process is managed by those officers responsible for the initial issue of the licence. For the majority of licences (e.g. taxi and premises), the renewals are recorded on the licensing database (Lalpac). From the testing there was an instance identified where the fee had not been paid however the licence had been issued. One recommendation has been raised as a result of our work in this area (**Rec 8**).

5.6 Detection

5.6.1 The council responsibilities over compliance and detection are outlined in the 2003 Licensing Act, Local Government (Miscellaneous Provisions) Act 1976 and Town Police Clauses Act 1847. Licensing enforcement officers conduct inspections, for example, officers carry out spot checks (e.g. of taxi ranks). Inspections are also carried out by the environmental protection (e.g. riding establishments) and food & safety (e.g. skin piercing outlets) teams. Internal audit checked and reviewed the audit trail for 10 enforcement cases and no concerns were noted.

5.6.2 The council's licensing responsibilities include establishing a licensing register. The council has an online register which is on the council web pages. From a review of the license registers these appears to be sufficiently detailed. No recommendations have been raised as a result of our work in this area.

OBSERVATIONS AND RECOMMENDATIONS

GUIDANCE, POLICIES AND PROCEDURES

1. Licensing enforcement policy

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The licensing enforcement policy is regularly reviewed (e.g. bi-annually) by an appropriate officer.</p> <p><u>Findings</u> Internal audit noted the council licensing and environmental health enforcement policy needs to be reviewed (the licensing enforcement policy was last reviewed in 2006).</p> <p><u>Risk</u> Best practice is not adopted and</p>	Review the licensing enforcement policy.	Shared Licensing Team Leader

the enforcement policy does not reflect current practice.		
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The Licensing team has developed draft enforcement guidance for the assorted licensing legislation. There remains a need for an overarching enforcement policy covering all the key areas of enforcement. This piece of work is being undertaken by the Environmental Health team and as such is not under the control of Licensing. We will continue to work with the EH team as required.</p> <p>Management Response: Shared Licensing Team Leader</p>		30 December 2013

2. Procedure notes

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procedure notes are established for all key processes.</p> <p><u>Findings</u> There are no procedure notes established for the issue of licenses administered by environmental protection and food & safety teams.</p> <p><u>Risk</u> Best practice is not adopted especially in the absence of key officers.</p>	<p>Establish procedure notes for the issuing of licences:</p> <ul style="list-style-type: none"> - skin piercing - animal welfare - environmental permits - motor salvage and scrap metal and other permits. 	<p>Team Leader (Environmental Protection)</p> <p>Shared Food and Safety Manager</p>
Management Response		Implementation Date
<p>Recommendation is Agreed (Environmental Protection)</p> <p>Animal welfare work is subject to transitional arrangements having been transferred from the Vale licensing team last July. Procedures are in place for scrap metal and motor salvage operators registrations – but this whole regime is due to change in October 2013.</p> <p>Management response: Team Leader (Environmental Protection)</p>		31 December 2013
<p>Recommendation is Agreed (Food and Safety)</p> <p>Procedure notes for skin piercing are in the process of being produced to coincide with the adoption of new skin piercing byelaws</p> <p>Management response: Shared Food and Safety Manager</p>		30 August 2013

PROCESSING OF APPLICATIONS

3. Delegation of responsibility

(Medium Risk)

Rationale	Recommendation	Responsibility
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<p><u>Best Practice</u> There is a clear delegation of responsibility for the process of authorising and the issue of licences on behalf of the council.</p> <p><u>Findings</u> Licensing officers can approve the issue of licences on behalf of heads of service. This delegation of responsibility is not documented. After discussion with the shared licensing team it was identified the authorisation list needs updating.</p> <p><u>Risk</u> There is a lack of best practice adopted and increased risk of dispute over roles and responsibilities.</p>	<p>Review and update the licensing authorisation lists.</p>	<p>Shared Head Of Legal And Democratic Services</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed This has been identified by the HoS and service manager as an issue. Work is currently underway to produce a clear path of delegation and clarification of roles and responsibilities.</p> <p>Management Response: Shared Licensing Team Leader</p>		<p>30 December 2013</p>

4. Separation of duties

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a separation of duties between the officer who administers and the officer who approves the issue of licences.</p> <p><u>Findings</u> Currently the team leader (environmental protection) administers and issues licences. Internal audit found in one case, a licence was issued but wrongly dated.</p> <p><u>Risk</u> There is a lack of separation of duties which may lead to the inappropriate issue of licences.</p>	<p>Ensure there is a separation of duties from those who process and those who authorise the issue of environmental protection licences.</p>	<p>Team Leader (Environmental Protection)</p>
<p>Management Response</p>		<p>Implementation Date</p>
<p>Recommendation is Agreed Animal welfare work is subject to transitional arrangements having been transferred from the Vale licensing team last</p>		<p>31 December 2013</p>

<p>July. Inspection work is in the process of being transferred to officers in the team. In the future admin and officer functions will then be split between newly recruited administrator and officers.</p> <p>The single case of an administrative date error (wrong year entered) on one licence had already been noted following a review of a contractors work and the mistake corrected.</p> <p>Management response: Team Leader (Environmental Protection)</p>	
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INVOICES

5. Fees

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Licence fees and requirements are clearly stated on the council website.</p> <p><u>Findings</u> Environmental protection licence fees for 2012/2013 and not 2013/2014 are on the council website. The requirements to apply for animal boarding licenses were not outlined on the council website.</p> <p><u>Risk</u> Best practice is not adopted and unnecessary time is taken establishing fees from customer enquiries. Council budgets may also be hindered.</p>	<p>Ensure the 2013/2014 environmental protection licensing web pages are updated with appropriate licence fees and guidance.</p>	<p>Team Leader (Environmental Protection)</p>
Management Response		Implementation Date
<p>Recommendation is Agreed This change has already been implemented and clarification of fee levels changes in future financial years undertaken to seek to prevent recurrence of any delay.</p> <p>Management response: Team Leader (Environmental Protection)</p>		<p>Implemented</p>

PERFORMANCE

6. Performance management

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> (a) A performance management policy is established and communicated to all necessary officers.</p>	<p>(a) Consider establishing a performance management statement or policy for</p>	<p>(a) and (b) Shared Licensing Team Leader (c) Team Leader</p>

<p>(b) Performance statistics are regularly prepared.</p> <p>(c) Performance evaluations include licensing duties.</p> <p><u>Findings</u> Licensing: Internal audit noted there is no overarching document over how performance is managed. Raw processing data is recorded but not been translated into percentage points.</p> <p>Environmental protection: The processing of applications does not feature in the service area's performance for the environmental protection team.</p> <p>Food and Safety: The shared food & safety manager has stated as part of a review of the licensing process, key performance indicators such as response times will be incorporated in the team's performance points.</p> <p><u>Risk</u> There is a lack of performance management strategy and assessment.</p>	<p>the licensing team.</p> <p>(b) Translate raw data (over the processing of applications by the licensing team) to performance statistics which can be monitored effectively.</p> <p>(c) Consider incorporating the issue of licences within the performance management framework for environmental protection.</p>	<p>(Environmental Protection)</p>
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>(a) and (b) In the absence of an integrated licensing software system the team has developed a range of ad-hoc data recording mechanisms both for enforcement and licence processing. The information is displayed on the PP and monitored by managers. The team are also looking at new ways of capturing and recording customer satisfaction levels. The new licensing software will provide accurate performance monitoring and recording for all staff.</p> <p>Management Response: Shared Licensing Team Leader</p>		<p>(a) and (b) Software to be operational by 1 February 2014.</p> <p>Full implementation by 1 April 2014</p>
<p>(c) Animal welfare inspections are incorporated on EP performance point along with other proactive inspections. The value of increasing the profile of this relatively small work further are unclear – consideration will however be given to whether this is appropriate.</p> <p>Management response: Team Leader (Environmental Protection)</p>		<p>31 December 2013</p>

7. Team meeting minutes

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Minutes are recorded for all team meetings.</p> <p><u>Findings</u> The licensing team hold quarterly team meetings. The last meeting was held in March 2013 however the last set of minutes available date back to October 2012.</p> <p><u>Risk</u> There is a lack of audit trail over key decisions.</p>	Ensure minutes are documented for all team meetings.	Shared Licensing Team Leader
Management Response		Implementation Date
<p>Recommendation is Agreed Immediate implementation. Action points (rather than minutes) to be recorded from next team meeting in July 2013</p> <p>Management Response: Shared Licensing Team Leader</p>		30 July 2013

RENEWALS

8. Renewals (environmental protection)

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Fees are collected for licences issued in accordance with procedures.</p> <p><u>Findings</u> Internal audit found two licences were issued before the fee was taken.</p> <p><u>Risk</u> Financial loss to the council.</p>	Ensure the fee is collected for the case identified.	Team Leader (Environmental Protection)
Management Response		Implementation Date
<p>Recommendation is Agreed Animal welfare work is subject to transitional arrangements having been transferred from the VWHDC licensing team last July. The issuing of two licences before fees had been received had already been identified by the team following a review of a contractors work and the mistake corrected. Ongoing arrangements to undertake work within the team, to not use contractors, and to separate out administrative and officer functions will resolve this issue.</p> <p>Management response: Team Leader (Environmental</p>		31 December 2013

PREVIOUS RECOMMENDATIONS 2011/2012

9. Webpage information

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Licensing information provided on the internet is consistent and comprehensive.</p> <p><u>Previous Findings (2010/2011)</u> Lotteries are defined by the Lotteries and Amusements Act 1976 but this is not stated on the council's website or the application form.</p> <p>An animal boarding license is granted subject to the premises meeting required standards but the website and application does not state what those standards are.</p> <p><u>Current Findings (2013/2014):</u> Internal audit identified: (a) Currently there is insufficient detail on the web pages to meet the requirements of the recommendation. (b) The lotteries web pages and application form do not have a statement to remind applicants of the Lotteries and Amusement Act (1976).</p> <p><u>Risk</u> If the council does not provide comprehensive information on its website then unnecessary delays may occur if applicants are not fully aware of the conditions to be met prior to applying for licenses.</p>	<p>Licensing information provided on the council's web site should be reviewed and updated to include:-</p> <p>(a) conditions for animal boarding licenses (b) lotteries definition details.</p>	<p>(a) Team Leader (Environmental Protection) (b) Shared Food & Safety Manager</p>
Management response 2011/2012		Implementation date
<p>Recommendation is Agreed The new business support supervisor will be responsible for undertaking a review of the Licensing websites in both South and Vale. This review will ensure the updating of information and inclusion of all missing sections as appropriate. Individual business support and licensing technical officers may be allocated specific tasks. These will be incorporated into PDP targets as appropriate.</p>		<p>Commence March 2012 completed end March 2013.</p>

Management Response: Shared Licensing Team Leader	
Management response 2013/2014	Implementation date
<p>Recommendation is Agreed</p> <p>(a) Animal welfare work is subject to transitional arrangements having been transferred from the Vale licensing team last July. I was not aware of the previous recommendation and will add standard conditions to the website.</p> <p>(b) Website to be check and amended as required by BSU supervisor.</p> <p>Management Response: Shared Licensing Team Leader</p>	<p>(a) 31 December 2013</p> <p>(b) Immediately</p>

10. Procedures

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Documented and agreed procedures are in place covering all aspects of the licensing function.</p> <p><u>Previous Findings (2010/2011)</u> Flow chart procedures cover premises license and lottery permit applications but formal documented procedures or checklists are not in place covering all of the licensing functions. A checklist is part of the hackney/private hire vehicle and driver applications form but does not appear on other licensing applications.</p> <p><u>Current Findings (2013/2014)</u> The shared licensing team leader stated the harmonisation of policies and procedures will be introduced during the implementation of the new licensing database which is currently planned for the end of summer 2013.</p> <p><u>Risk</u> If procedures are not in place it may be more difficult to provide cover in cases of absence or when key staff leave.</p>	<p>Establish procedure notes for all key processes.</p>	<p>Shared Licensing Team Leader</p>
Management response 2011/2012		Implementation date
Recommendation is Agreed		Started April 2011 to

<p>The shift to the new Ocella system for both teams during 2012 will require the codification and harmonisation of all procedures. This work will be undertaken by all officers and work has already been incorporated into officers 2011/12 PDP targets.</p> <p>Management Response: Shared Licensing Team Leader</p>	<p>be completed by end December 2012</p>
<p>Management response 2013/2014</p>	<p>Implementation date</p>
<p>Recommendation is Agreed</p> <p>The shift to the new licensing system for both teams during late 2013 will require the codification and harmonisation of all procedures. This work will be undertaken by all officers and work has already been incorporated into officers 2013/14 DPR targets.</p> <p>Management Response: Shared Licensing Team Leader</p>	<p>The intention is to have the new system in place and staff training undertaken by end quarter 4 2013/14</p>

11. Lotteries

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Annual renewal fees for lottery permits should be payable on the anniversary of their registration as opposed to each January.</p> <p>The administration of lottery renewals is in compliance with legislation.</p> <p><u>Previous Findings (2010/2011)</u> The council's webpage relating to society lottery permits states an annual fee is due in January each year. This is also stated within the flow chart procedure for lottery permits. The Small Society Lotteries (Registration of Non-Commercial Societies) Regulations 2007 state the annual fee payable to the registering local authority must be paid within the two months prior to the anniversary of the registration.</p> <p><u>Current Findings (2013/2014):</u> (a) The shared licensing team leader stated the necessary changes will be made when the new licensing software is in place.</p>	<p>(a) Society lottery permit renewals should be due and reminded two months prior to the anniversary of their issue.</p> <p>(b) Clarify and ensure the administration of lottery licenses is in compliance with the Small Society Lotteries (Registration of Non-Commercial Societies) Regulations (2007).</p>	<p>Shared Licensing Team Leader</p>

<p>(b) The Small Society Lotteries (Registration of Non-Commercial Societies) Regulations (2007) state "The annual fee ... must be paid within the period of two months which ends immediately before each anniversary of the registration.". From speaking to the Shared Business Support Supervisor (Licensing) it was identified fees are acceptable two months after the deadline (i.e. March).</p> <p><u>Risk</u> If lottery permits renewal fees are not collected on or prior to the anniversary of the registration then the council are not complying with legislative requirements. There is a risk of non-compliance with legislation.</p>		
Management response 2010/2011		Implementation date
<p>Recommendation is Agreed The new business support supervisor will be responsible for undertaking a review of the Licensing websites in both South and Vale. This review will ensure the updating of information and inclusion of all missing sections as appropriate. Individual business support and licensing technical officers may be allocated specific tasks. These will be incorporated into PDP targets as appropriate. The shift to the new Ocella system will bring automatic renewal reminders.</p> <p>Management Response: Shared Licensing Team Leader</p>		<p>Commence March 2012 completed end March 2013</p>
Management response 2013/2014		Implementation date
<p>Recommendation is Agreed The new licensing system will require a clarification and codification of the invoicing system. The new system will be fully compliant with the legislation.</p> <p>Management Response: Shared Licensing Team Leader</p>		<p>The intention is to have the new system in place and necessary changes by end quarter 4 2013/14</p>

12. Reconciliations

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Income should be regularly reconciled to ensure income is being received as expected and also to identify any coding errors.</p>	<p>(a) Income reconciliation to compare licensing records with general ledger codings should be regularly</p>	<p>(a) Shared Licensing Team Leader (b) Team Leader (Environmental Protection) and Food</p>

<p><u>Previous Findings (2008/2009)</u> The recommendation made following the 2006/2007 audit has not been implemented as a full income reconciliation is not undertaken.</p> <p><u>Current Findings (2013/2014)</u> (a) Whilst payments are taken up front for license applications and renewals that are invoiced are managed through Agresso's debtor module, there is no reconciliation undertaken of the licensing system with the general ledger codings.</p> <p>(b) The recommendation has been extended to the environmental protection and food & safety teams who have taken the responsibility of issuing licences in 2012/2013.</p> <p><u>Risk</u> If income is not reconciled with the general ledger then any miscodings may not be identified.</p>	<p>undertaken by the licensing team.</p> <p>(b) Income reconciliation to compare licensing records with general ledger codings should be regularly undertaken by environmental protection and food & safety team.</p>	<p>& Safety Manager</p>
<p>Management response 2010/2011</p>		<p>Implementation date</p>
<p>Recommendation is Agreed in Principle This work will need to be undertaken with the accountancy team but will support the shift to greater clarity in areas such as fee setting for taxis and the proposed changes to the Licensing Act 2003.</p> <p>Management Response: Shared Licensing Team Leader</p>		<p>January 2012 for completion in April 2013</p>
<p>Management response 2013/2014</p>		<p>Implementation date</p>
<p>(a) Recommendation is Agreed in Principle The Licensing team has already undertaken a substantial amount of work in this area with the accountancy team. Further work will be done as part of the new software installation and the ongoing systems harmonisation.</p> <p>Management Response: Shared Licensing Team Leader</p> <p>(b) Recommendation is Agreed Animal welfare work is subject to transitional arrangements having been transferred from the Vale licensing team last July. A permanent team administrator has been recruited and reconciliations will be undertaken in future.</p> <p>Management response: Team Leader (Environmental Protection)</p>		<p>(a) Ongoing for completion April 2014</p> <p>(b)</p> <p>Environmental Protection: 31 December 2013</p>

<p>Income reconciliation will be carried out on a quarterly basis as part of the quarterly budget monitoring process</p> <p>Management response: Food and Safety Manager</p>	<p>Food and Safety: 30 July 2013</p>
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13. Raise invoices appropriately

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All invoices are raised on the anniversary of the premises licence issue date.</p> <p><u>Previous Findings (2010/2011)</u> Internal audit established that all annual fee invoices are raised in October, even if the original issue date was six months prior. The Technical Licensing Officer stated that they are aware of this and changed the process in March 2010. Internal Audit acknowledged that there are plans to do this, but no invoices have yet been raised in 2010/2011 to determine if they are in place.</p> <p><u>Previous Findings (2011/2012)</u> Six premises license annual invoices were raised in August 2011 for the year 2011 although five of them had anniversary dates, upon which the renewal is due, ranging from May to July.</p> <p><u>Current Findings (2013/2014)</u> After discussion with the shared licensing team leader, it was identified that whilst this remained an issue a policy of adjusting invoices dates to be on the anniversary of the premises licence issue date is being phased in.</p> <p><u>Risk</u> If invoices are not raised on</p>	<p>All annual fee invoices are raised on the anniversary of the premises licence issue date to ensure that the invoices are raised consistently and annually.</p>	<p>Shared Licensing Team Leader</p>

<p>the anniversary of the licence issue date, then there could be risk of licensees paying more or less than required. Furthermore, the council is not complying the Licensing Act 2003 (Fees) Regulations 2005 which states the annual fee shall become due and payable each year on the anniversary of the date of the grant of the premises license.</p>		
Management response 2010/2011		Implementation date
<p>Recommendation is Agreed Need to discuss this with Capita to include a mechanism for updating information such as changes to NNDR property banding which affects the amount due.</p> <p>As above. Facilitation to be planned during 2011 financial year, for implementation no later than 1 April 2012, thus allowing time for processes to be reviewed, fit for the future, procedures to be written and negotiations with Capita, including budgeting for any Capita payments to facilitate this.</p> <p>Management Response: Electoral Services, Licensing and Local Land Charges Service Manager</p>		1 April 2012
Management response 2013/2014		Implementation date
<p>(a) Recommendation is Agreed in Principle The Licensing team has already undertaken a substantial amount of work in this area with the accountancy team. Further work will be done as part of the new software installation and the ongoing systems harmonisation.</p> <p>Management Response: Shared Licensing Team Leader</p>		Ongoing for completion April 2014

14. Direct Debit Payments

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All premises licensees are paying their annual fee by Direct Debit.</p> <p><u>Previous Findings (2010/2011)</u> All annual fee invoices for premises (gambling) licence are paid by cheque.</p> <p><u>Current Findings (2013/2014)</u></p>	<p>The licensing team should encourage and promote direct debit payments to all licensees paying an annual fee as it is most cost effective.</p>	<p>Shared Licensing Team Leader</p>

Due to competing priorities, work on this area has not been actioned.		
<u>Risk</u> Paying by cheques is expensive to the council as they incur a surcharge, so the council is not using the most cost effective and efficient methods of payment.		
Management Response		Implementation Date
Recommendation is Agreed Need to consider this to include a mechanism for updating information. As above. Facilitation to be planned during 2011 financial year, for implementation no later than 1 April 2012, thus allowing time for processes to be reviewed, fit for the future, procedures to be written and negotiations with Capita, including budgeting for any Capita payments to facilitate this. Management Response: Electoral Services, Licensing and Local Land Charges Service Manager		1 April 2012
Management response 2013/2014		Implementation date
Recommendation is Agreed in Principle In discussions with Capita and the accountants the shift to Direct Debits has not been supported. The prevailing view is that the current Agresso invoicing system should be enhanced and consolidated. Management Response: Shared Licensing Team Leader		Discussions on going

15. Test Purchase Procedure

(Medium Risk)

Rationale	Recommendation	Responsibility
<u>Best Practice</u> Procedures should be available to all staff to ensure clarity with regards to their enforcement duties. <u>Previous Findings (2010/2011)</u> There is no requirement for staff to adhere to written procedures and obtain the appropriate approval when undertaking test purchases with regards to taxi licensing enforcement. <u>Previous Findings (2011/2012)</u> From discussion with the technical officers there are no	Licensing staff should have written procedures to inform them how to conduct robust test purchases; these should include an approval mechanism to ensure management are kept appropriately informed.	Shared Licensing Team Leader

<p>formal procedures in place. The Audit and Governance Committee 9/3/2011 requested that procedures are written.</p> <p><u>Current Findings (2013/2014)</u> Test purchases procedures are not in place.</p> <p><u>Risk</u> Failure to ensure clarity in officer's role and responsibility could jeopardise any enforcement activity being undertaken and may result in officers undertaking functions for which they are not authorise to do.</p>		
Management response 2010/2011		Implementation date
<p>Recommendation is Not Agreed There are no concerns about how to conduct robust test purchases and there is no need for an approval mechanism or indeed for management to be kept informed. Arranging a test purchase is a standard enforcement technique. It is a simple task which the Licensing Technical Officers can undertake as they think necessary without the need for management approval.</p> <p>There are no concerns regarding the issues which the recommendation seeks to remedy. The issue was that in arranging a test purchase, this arrangement might have been "over heard" and leaked to persons. Therefore the issue is about confidentiality or the need to make private phone calls. The Licensing Team Leader has spoken to the team advising of this.</p> <p>Management Response: Head of Legal and Democratic Services</p>		N/A
Management Response – 2011/2012		Implementation Date
<p>Recommendation is Agreed The Licensing team is reviewing its enforcement procedures and such issues will be considered and codified into best practice. This work is already in officers PDP for 2011/12.</p> <p>Management Response: Shared Licensing Team Leader</p>		April 2011 for completion end March 2013.
Management response 2013/2014		Implementation date
<p>(a) Recommendation is Agreed Procedure in place by end June 2013</p> <p>Management Response: Shared Licensing Team Leader</p>		End June 2013

Background

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

Definition

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

Methodology

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

Systemic control weaknesses as at 2 September 2013

No	Systemic control weakness	Council	Rec point total	List Entry Date	Movement Since Last Committee
1	Policies, procedures and guidance notes are not comprehensive, up to date and are not owned by a responsible officer.	Joint	197	01/08/11	Increase (13)
2	There should be regular reconciliation of information/data/items.	Joint	52	01/08/11	Increase (3)
3	All officers/members should be trained in their role and corporate responsibilities	Joint	46	02/09/13	New
4	Documents should be filed appropriately.	Joint	45	21/06/12	Increase (4)
5	There should be regular financial reconciliations.	Joint	41	05/06/13	Increase (2)

Audit and Governance Committee Report



23 September 2013

Report of: **Interim Audit Manager**

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To: Audit and Governance Committee

DATE: 23 September 2013

Wards Affected
All

Internal audit management report quarter two 2013/2014

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 2013/2014 audit plan up to 2 September 2013; and
 - to summarise the priorities for quarter three 2013/2014.
2. The contact officer for this report is Craig Pullen, Interim Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic objectives

3. Managing our business effectively.

Background

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

Management issues

6. Following the meeting of the Finance Strategy & Management Committee of Henley Town Council in July, internal audit have been appointed as the Town Councils' internal auditors, initially for one year with an option to extend this by a further three years.
7. One of our auditors, Sheeraz Khan, has tendered his resignation and will leave his position on 29th September 2013. Options for a replacement are currently being considered.

Progress against the 2013/2014 audit plan

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

	Target	YTD	Q1 13/14	Q2 13/14	Q3 13/14	Q4 13/14
Chargeable (identifiable client and/or specific IA deliverable)	73%	72.0%	72.5%	70.5%	-	-
Non-Chargeable (corporate, not IA deliverable)	8%	6.5%	8.0%	3.5%	-	-
Lost (i.e. leave, study, sickness)	19%	22.0%	19.5%	25.5%	-	-

10. As at 2 September 2013 the status of audit work against the 2013/2014 audit plan is as follows:

Planned

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

2013/2014	Planned	Complete	Draft	In progress	To commence
PLANNED	30	7	2	5	16
Joint	27	6	2	5	14
SODC	2	1	0	0	1
VWHDC	1	0	0	0	1

Adhoc

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

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

Follow up

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

2013/2014	Requested	Complete	Draft	In progress	To commence
FOLLOW-UP	34	15	0	0	19
SODC	18	8	0	0	10
VWHDC	16	7	0	0	9

Priorities for 2013/2014 quarter three (October 2013 – December 2013)

11. The priority for quarter three is to:
- successfully recruit a new auditor

- maintain progress against audit plan

12. Remaining 2013/2014 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.

CRAIG PULLEN
INTERIM AUDIT MANAGER

System Name	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
As at 2 September 2013													
JOINT													
Payroll (23 priority score)	In progress	32											
SODC			7.5										
VWHDC			7.5										
Disaster Recovery (21)	In progress	10											
SODC			5.0										
VWHDC			5.0										
Section 106 Commuted Sum/CIL (21)	To commence Q4	20											
SODC			0.0										
VWHDC			0.0										
Housing & Council Tax Reduction Scheme (20)	To commence Q3	30											
SODC			0.0										
VWHDC			0.0										
National Non-Domestic Rate (20)	In progress	24											
SODC			4.5										
VWHDC			4.5										
Council Tax (19)	To commence Q3	24											
SODC			0.0										
VWHDC			0.0										
Creditor Payments (19)	In progress	20											
SODC			3.0										
VWHDC			3.0										
General Ledger (19)	To commence Q3	20											
SODC			0.0										
VWHDC			0.0										
Sundry Debtors (19)	To commence Q3	20											
SODC			0.0										
VWHDC			0.0										
Pro-Active Anti-Fraud Review (19)	To commence Q4	16											
SODC			0.0										
VWHDC			0.0										
Cash Office (19)	To commence Q4	10											
SODC			0.0										
VWHDC			0.0										

HR Grievance Procedures (13)	To commence Q4	14												
SODC			0.0											
VWHDC			0.0											
Environmental Health Food & Safety (8)	Completed	20												
SODC			11.0		Satisfactory	9	0	0	2	1	7	6	2	
VWHDC			11.0		Satisfactory	7	0	0	1	1	6	5	1	
SODC														
Community Loans Scheme (14)	Completed	4	4.0		Full	3	0	0	1	1	2	2	0	
Leader Project Grant Verification (9)	To commence Q2	5	0.5											
VWHDC														
Wantage Civic Hall (14)	To commence Q4	10	0.0											
IA PLANNED AUDIT TOTALS	-	515	190		Full	85	2	2	33	30	50	48	5	
					Satisfactory									
					Limited									
					Nil									

FOLLOW UP AUDITS 2012/2013

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC							
Verification of budgets savings 2011/2012	0.5	Satisfactory	3	1	2	0	0
Discretionary grants	0.5	Satisfactory	4	3	0	0	1
Carbon management programme	0.5	Satisfactory	7	1	0	1	5
Seasonal leisure activities	0.5	Full	2	1	0	1	0
Information governance	0.5	Satisfactory	3	1	0	1	1
Data protection	0.5	Satisfactory	5	1	2	0	2
Mobile Home Parks	1	Satisfactory	9	5	1	3	0
Cornerstone	0.5	Satisfactory	6	4	1	1	0
VWHDC							
Verification of budget savings 2011/2012	0.5	Satisfactory	3	1	2	0	0
Discretionary grants	0.5	Limited	7	5	0	0	2
Carbon management programme	0.5	Satisfactory	7	1	0	1	5
Seasonal leisure activities	0.5	Full	2	2	0	0	0
Information governance	0.5	Satisfactory	3	1	0	1	1
Data protection	0.5	Satisfactory	5	1	2	0	2
Mobile Home Parks	1	Satisfactory	11	4	2	4	1

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FOLLOW UP AUDITS 2013/2014

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC							
None							
VWHDC							
None							

UNPLANNED WORK 2013/2014

CONSULTANCY

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

CONTINGENCY

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

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SYSTEM DEVELOPMENT

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

Annual Governance Statement 2012/13

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Scope of responsibility

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

Democratic Services
Vale of White Horse District Council
The Abbey House
Abingdon
Oxon
OX14 3JE

Tel. (01235) 540307

Email: democratic.services@southandvale.gov.uk

The purpose of the governance framework

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

The governance framework

10. The purpose of the governance framework is to do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Full council is responsible for directing and controlling the organisation in this manner. Full council's responsibilities include agreeing the Constitution and key governance documents, the policy framework and key strategies including the community strategy and agreeing the budget.
11. The council has executive arrangements in place consisting of a cabinet and a scrutiny committee. Cabinet is responsible for proposing the policy framework and key strategies, proposing the budget and implementing them once approved by Council. The scrutiny function allows a committee to question and challenge the policy and performance of Cabinet and promote public debate.
12. The chief executive, who was appointed joint chief executive of this council and South Oxfordshire District Council in September 2008, advises councillors on policy and procedures to drive the aims and objectives of the council. As head of the officer staff, the chief executive oversees the employment and conditions of staff. The chief executive leads a strategic management board that is shared with South Oxfordshire District Council. The chief finance officer, the monitoring officer and heads of service are responsible for advising Cabinet and Scrutiny Committee on legislative, financial and other policy considerations to achieve the council's objectives and are responsible for implementing councillors' decisions.
13. Our governance framework for 2012/13 was based on our local code of governance, which was adopted in 2010. Within the framework we aim to meet the principles of good governance in all aspects of the council's work giving particular attention to the main principles:

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

THE STRATEGIC PLANNING FRAMEWORK

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

15. The council's vision is: 'taking care of your interests across the Vale with enterprise, energy and efficiency'. This is supported by our Corporate Plan that sets out the council's strategic objectives and corporate priorities, these are:

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

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

17. Our work with partners takes place both locally to address local issues and also through some formal partnerships, which may be either service specific or more broadly strategic. Some of the key formal partnerships include:

- the South and Vale Community Safety Partnership - this focuses on joint working to reduce crime and the fear of crime and address broader community safety issues affecting local people. It has an annual plan that sets out the partnership's key aims and objectives for the year and is available on the council's website.
- the Oxfordshire Local Enterprise Partnership – this is a voluntary body made up of representatives from business, academia and the wider public sector. The partnership's overarching aim is to be the catalyst for realising Oxfordshire's economic and commercial potential. The Oxfordshire Local Enterprise Partnership is responsible for delivering the Science Vale UK enterprise zone.

- the Oxfordshire Waste and Environment Partnerships – these are partnerships of the county and district councils of Oxfordshire who are working together to continuously improve waste management services and general environmental projects within the county.

18. Our other key strategies include:

- the local plan - the council is developing its local plan to cover the period up to 2029.
- equality objectives - the council has set equality objectives in line with the requirements of the Equality Act 2010 and to support the delivery of the councils' Corporate Plan priorities.
- boosting the local economy - partnership working is the key theme behind the council's plans to boost its three market towns of Abingdon, Faringdon and Wantage. The market towns action plans bring together new ideas alongside ongoing projects, as the council continues to work with the Choose Abingdon Partnership, and the Joint Economic Forums for Abingdon, Faringdon and Wantage, as well as the three respective town councils and various local groups, to help strengthen the local economy and bring more people to the towns. The action plans are designed to support the council's objectives of building the local economy, continuing to invest to improve the viability and attractiveness of our towns, and supporting business growth.

PERFORMANCE MANAGEMENT FRAMEWORK

19. In order to know that we are achieving the strategic objectives and corporate priorities in the Corporate Plan, we set local performance targets. To ensure we meet these targets and objectives, we have one-year service plans, work plans and service targets, thus ensuring that a *golden thread* aligns the council's top-level objectives to the work of each individual. Separately, we report performance to the government in accordance with the single data list.

20. We use a performance management system to monitor progress against the council's actions and targets. In the process of monitoring performance, we forecast year-end outcomes and undertake action planning to get measures back on track if they are below target. In addition, we review performance at the end of the year and use this to help set targets for the coming years. Where the council is not meeting targets, the responsible head of service discusses these on a monthly basis with their strategic director, and regularly with their Cabinet member and shadow portfolio holder.

21. Our individual performance review scheme focuses on agreement of targets linked to service plans between managers and individuals. Throughout the year, staff have meetings with their managers to review progress and discuss and plan personal development in line with the council's objectives.

22. As the council outsources a significant number of services, we operate a formal framework for monitoring the performance of major contractors, and reporting these to Scrutiny Committee.

LEGAL FRAMEWORK

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

FINANCIAL FRAMEWORK

26. The section 151 officer is responsible for the overall management of the financial affairs of the council. The section 151 officer determines all financial systems, procedures and supporting records of the council, after consultation with heads of service. Any new or amended financial systems, procedures or practices are agreed with the section 151 officer before implementation.
27. The full council is responsible for approving the following:
- TREASURY MANAGEMENT STRATEGY
28. The treasury management strategy governs the operation of the council's treasury function, and is reviewed at least annually or during the year if it becomes necessary to do so. This strategy includes parameters for lending and borrowing, and identifies the risks of treasury activity.
- REVENUE AND CAPITAL BUDGET SETTING
29. Both revenue and capital budgets are set by full council in February each year. Revenue budget setting includes both the calculation of the council tax base and the surplus or deficit arising from the collection fund.
30. Cabinet has overall responsibility for the implementation of the council's financial strategies and spending plans, and is authorised to make financial decisions subject to these being consistent with the budget and policy framework and the Constitution.

31. Heads of service are responsible for ensuring the proper maintenance of financial procedures and records, and the security of assets, property, records and data within their service area.
32. The chief executive, strategic directors and heads of service consult with the head of finance and the head of legal and democratic services on the financial and legal implications of any report that they are proposing to submit to the full Council, a committee (or sub-committee), or Cabinet.

RISK MANAGEMENT FRAMEWORK

33. Risk management is important to the successful delivery of our objectives. An effective risk management system identifies and assesses risks, decides on appropriate responses and provides assurance that the chosen responses are effective. The overall responsibility for effective risk management in the council lies with the chief executive supported by the strategic management board. We use a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks.
34. Councillors have a responsibility to understand the strategic risks that the council faces, and are made aware of how these risks are being managed through an annual report to the Audit and Governance Committee.
35. The strategic management board is responsible for the identification, analysis and management of strategic risks and undertakes regular reviews of those risks.
36. We have operational risk registers in place for each service area and all heads of service are responsible for ensuring that risks are identified and prioritised and entered onto the risk register. We review and refresh the operational risk registers each quarter. We have mainstreamed and integrated the annual refresh of our risk registers with the annual service planning cycle, so that risk mitigation actions can be included in service plans.
37. All line managers are responsible for implementing strategies at team level by ensuring adequate communication, training and the assessment and monitoring of risks. All officers are responsible for considering risk as part of everyday activities and provide input to the risk management process.
38. We also have a robust approach to business continuity to ensure that priority services can continue to be delivered to our customers in the event of an unforeseen disruption.

Review of effectiveness of the governance framework

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

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

REVIEW OF OBJECTIVES

41. The section entitled *the strategic planning framework* (paragraph 14) sets out the council's current strategic objectives as a result of a major review of the Corporate Plan in 2011/12 to ensure that the council is doing the right things in the right way and for the right people. In doing this, the council asked customers to set out their priorities for improvement. Each year the council reviews the Corporate Plan to ensure that it remains current in the years leading up to the four-yearly redrafting of the plan.

PERFORMANCE MANAGEMENT AND SERVICE PLANNING

42. In recent years, we have looked to improve the consistency of performance management throughout the council. To do this, we published a performance management handbook, and promoted its uptake via an interactive intranet site. The handbook highlights the links between related functions such as corporate planning, service planning, reporting, risk management, budget planning, and individual performance review. It also clarifies the annual cycle of all of the above, with a dynamic display of what actions are required in the current month, together with links to all months that show when various actions are due. The handbook also lists the key responsibilities of specific roles. It reflects the management structure and the harmonised processes between this council and South Oxfordshire District Council.

43. The performance management handbook contains a data security policy. We implement this policy by assigning data owners to every local performance target. In addition, the handbook details the data returns on the Government's single data list that are relevant to the council. For each data return we have documented:

- the service area which collects the data
- the officer responsible for submitting the data

44. In 2010/11, we introduced a monthly board report which contains a smaller set of key performance indicators selected by the strategic management board and Cabinet. This graphically details performance in the main areas of council activity, namely:

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

45. The board report also includes the performance of South Oxfordshire District Council. All charts consistently present:

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

46. A recent analysis of the board report, prepared as part of a report for the Local Government Association, showed that the council is meeting the majority of key performance measures. In addition, the analysis suggested a long-term, on-going trend of improvement.
47. The board report is subject to a rigorous approval process, whereby it is checked by heads of service as data owners, and then by the strategic management board and Cabinet members. We then publish the report to the council's website and notify all councillors. Councillors may then request the addition of any aspects of poor performance to the agenda of the next Scrutiny Committee meeting. On a quarterly basis, Cabinet members discuss the report.
48. The report has been well received by both councillors and senior management, and is constantly evolving to reflect management requirements. We have automated many of the graphs, so that they now take data directly from the underlying systems. This has been achieved using free software, and this process of automation was completed in 2011/12.
49. We have continued our approach of asking target and action owners to forecast whether they are on track to deliver year-end outcomes. For each target or action that is 'below target', we ask the owner to provide an action to get back on track.
50. The council's approach to performance management received critical acclaim from an independent report by the Advanced Performance Institute. The council has made significant progress over the past years and has implemented a performance management system based on clearly defined output deliverables and priorities.
51. We continue to operate a strong approach to service planning. In January 2009, we held two externally facilitated workshops for all heads of service and service managers, designed to make targets and actions SMART. Following the management restructure with South Oxfordshire District Council, we then implemented a combined approach to service planning from 2010/11. During 2013 the council trained all managers on strategic objective-setting and briefed all staff on it.
52. There are 'programmes' for cross-cutting themes such as equality and sustainability. This enables the programme managers to oversee actions owned by others and thus maximise the chances of the programme meeting its targets.
53. This year, as a further enhancement to the service planning process, more teams have used 'performance points'. A performance point is generally a board, displayed in a team's service area, which shows how the team is performing against key performance targets (we have some electronic performance points displaying real-time data).
Performance points:
- are divided into three main sections – customer excellence, business management and staff investment
 - increase the visibility of targets and the progress against them
 - increase the relevance of targets to teams
 - are used at regular meetings to discuss performance
 - are used to review performance with politicians and strategic directors

54. We have been developing a new, streamlined, service planning process, which will establish a direct link between the four-year corporate plan and each team's performance point.
55. The combination of all of the approaches listed above is that the council has a strong focus on delivering priorities, managing performance against targets, and progressing actions.
56. In January 2012, following a review by Scrutiny Committee, we made improvements to the system for monitoring the performance of contractors.

LEGAL FRAMEWORK

57. At its meeting in July 2008, Council approved the creation of a shared senior management team with South Oxfordshire District Council. In September 2008, a new chief executive was appointed to the post of shared chief executive. In December 2008, strategic directors were appointed to the shared management team, in February 2009 shared heads of service were appointed, and in April 2010 service managers took up their positions. At the outset of this shared process, the council's monitoring officer was satisfied that the procedure adopted in the recruitment process complied with all relevant legislation.
58. Section 113 of the Local Government Act 1972 allows a local authority to enter into an agreement with another local authority to place its officers at the disposal of another authority. Staff who are made available under such an arrangement are able to take binding decisions on behalf of the council at whose disposal they are placed, although they remain an employee of their original authority for employment and superannuation purposes. This legislation therefore allows officers to be shared between the two councils. Council authorised the head of legal and democratic services to enter into an agreement under section 113 of the Local Government Act 1972 for this joint arrangement. The section 113 agreement was completed on 26 September 2008 and updated on 18 February 2011.
59. In September 2008, Council was asked to agree that all references to the chief executive, head of paid service, electoral registration officer and returning officer contained in the Constitution should apply to the shared chief executive when acting in those roles for each council with effect from 17 September 2008. Following the appointment of the strategic directors and heads of service in 2008 and 2009 respectively, a harmonised scheme of delegation to officers and harmonised contract procedure rules were introduced to meet the requirements of joint working with South Oxfordshire District Council.
60. Otherwise, the Constitution was reviewed twice during the year to ensure it is up to date. During the year, a review of the scheme of delegation was undertaken. In order to ensure the efficiency of decision-making within the budget and policy framework agreed by full council, decision-making has been delegated to Cabinet members and officers.
61. The monitoring officer did not need to use her statutory powers during the year.

62. Part 3 of the Local Government and Public Involvement in Health Act 2007 required all principal authorities to adopt either an elected mayor and cabinet or a new style 'strong' leader and cabinet. The council had to review its own arrangements by 31 December 2010. Full Council agreed to adopt the strong leader model, which the council implemented in May 2011 with an updated scheme of delegation.

63. Lexcel is the accreditation quality mark which the Law Society has developed and which is only awarded to legal practices that undergo rigorous independent assessment each year to ensure they meet the required standards of excellence in areas such as customer care, case management and risk management. Having undergone assessment on 30 and 31 July 2012, the legal team achieved its first Lexcel accreditation under the joint arrangements.

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

FINANCIAL FRAMEWORK

FINANCIAL REPORTING

64. For 2012/13 we produced budget monitoring information for both revenue and capital income and expenditure every month from June onwards during the financial year. We distributed budget monitoring reports from the financial management system, which are profiled, to heads of service and managers every month, within a week of the end of the period. This ensured up-to-date information, for example by ensuring that all cash received up to the end of the previous period is reflected in the figures. In future, following appropriate training, heads of service and service managers will be able to generate their own reports from the financial system.

65. Every quarter, heads of service are required to submit a return to accountancy, which provides reasons for current variances, and forecasts the end of year outturn position.

66. We collate the heads of services' returns into a quarterly budget monitoring report which is considered by Cabinet. These reports highlight the key variances being reported by each service, allowing management and Cabinet to focus on them.

67. The Cabinet's quarterly budget monitoring reports include details of any virements considered necessary. By making budget transfers in-year, we are able to realign resources to ensure that overspends do not impact on our ability to deliver other services. This is assisted by the prudent inclusion of a contingency budget.

68. Budgetary control is subject to internal audit review every three to four years. Otherwise, budgetary control is generally reviewed in audits of teams or service areas.

69. For all committee reports for which a decision is required, a "financial implications" section is included which details the actual, and potential, financial consequences of the decision being taken. We ensure that this information is accurate and relevant by an accountant checking it.

70. In September 2012, the Audit and Governance Committee approved the council's financial statements for 2011/12, and the council's external auditors issued an unqualified audit opinion.
71. Officers keep up to date with the latest developments in accounting, which enable them to be prepared for the changes in accounting practice that affect the preparation and presentation of the financial statements. The council subscribes to the Chartered Institute of Finance and Accountancy (CIPFA) finance advisory network and accountants regularly attend these network events, which enables them to prepare for changes to accounting requirements. Accountants that attend training courses report back to the rest of the accountancy team on the content of the course.
72. Each year's accounts and annual audit letter are available to the public and are published on the council's website. We can make them available in accessible formats. To assist the public in understanding the accounts, we have included an explanatory foreword in the financial statements that explains the purpose of the accounts and summarises the key messages arising from them. We have included a glossary of terms within the accounts to aid understanding.

BUDGET MONITORING

73. Accountants meet with all service heads or their staff at least every quarter during the financial year to discuss performance against budget and to highlight areas of potentially significant over or under spend. We use this information to prepare the quarterly budget monitoring reports presented to Cabinet, and to substantiate any in-year budget transfers or supplementary estimates required to meet changing circumstances. The in-year monitoring of budgets enables the budget setting process to be based on the latest estimates of income and expenditure.
74. Every year the council sets a comprehensive and balanced budget, which provides adequate resources and there has been an absence of overspends against total budget in recent years.
75. The council's budget planning cycle starts with a base budget position produced by the council's officers. This is reviewed by the Scrutiny Committee in December. Meanwhile there is a consultation when the public are asked to select priorities and for their opinion on several specific areas of council spending. The budget is prepared and is first made public with the agenda papers for discussion at a Cabinet meeting in early February. Scrutiny Committee reviews the budget before it is discussed and approved at full Council later that month. Throughout the budget setting process the council's financial position, and budget proposals, are regularly discussed informally by Cabinet and the strategic management board, which ensures that they have a good understanding of the financial situation.
76. When the budget is set, the monitoring of income and expenditure against budget continues throughout the financial year by both the strategic management board and councillors. Cabinet formally receives budget monitoring reports every quarter, culminating in an outturn report that reflects on the overall performance against budget for the previous year. These are based on returns provided by the heads of service.

MEDIUM TERM FINANCIAL PLAN

77. Supporting the annual budget setting process, each year we produce a five-year medium term financial plan.
78. The medium term financial plan provides a forward-looking budget model that estimates the council's budget needs in future years, and in the process also indicates the required level of savings needed in future years to balance the budget. This is based on assumptions of the most likely levels of such critical factors as inflation, government grant funding, and the level of investment interest. These are subject to fluctuations.
79. By using the medium term financial plan to estimate future council income and expenditure the council was able to freeze council tax for 2012/13. To ensure that the council can continue to focus on delivering services more efficiently during difficult economic times, it has taken a pro-active approach to identifying and delivering efficiency savings. It has merged its management team with South Oxfordshire District Council and has embraced "lean" business process re-engineering. This initiative, internally branded as "fit for the future", embraces all services, with the specific intention of delivering the current level of service more efficiently. These savings and others generated by service managers themselves enabled the freeze in council tax for 2013/14. All the savings identified to date were reasonable, having been subject to review by the strategic management board and cabinet.
80. The budget report we present to Cabinet includes a summary of the estimated balance on key reserves at the end of the capital programme period. Assumptions underpinning the estimates of reserves are reasonable.
81. The council communicates key messages from its financial planning process to staff and stakeholders. New staff undertake an induction process that includes an introduction to local government finance module. This makes staff aware of how the council's budgets are constructed and of the financial pressures the council faces. For line managers, a separate module goes into more detail on the financial planning process, and covers their responsibilities. During the budget setting we hold a series of presentations for staff to explain the budget process and the pressures the council faces as part of the budget setting process. We also seek the views of stakeholders during the budget process.

TREASURY MANAGEMENT STRATEGY

82. The council's treasury management strategy, which council agrees annually, sets out the council's policy on managing its investments, which ensures that it has sufficient cash to meet its needs, and that returns are maximised whilst maintaining the security of the council's assets. The strategy has regard to the Code of Practice for Treasury Management, and the CIPFA Prudential Code. We report performance against the strategy to council twice per year.
83. We have reserves and short-term cashflow surpluses that generate interest income, which we use to support the revenue budget in year. This means that we budget to use interest earned during the 2012/13 financial year to support the 2013/14 revenue budget. This can prove volatile and therefore prudent budget estimates of interest

(based on market advice) are used when setting the medium term financial plan. It has also meant that the prolonged low interest rates that have been experienced in recent times have had a noticeable impact on the funding available to the council.

84. In February 2010, Cabinet agreed that the Audit and Governance Committee would take responsibility for ensuring effective scrutiny of the treasury management strategy, policies and performance in accordance with the CIPFA Prudential code and CIPFA Treasury Management code, which were revised in December 2009.
85. All the arrangements detailed above demonstrate that Cabinet and strategic management board exercise collective responsibility for financial matters. All members of the strategic management board accept individual and collective responsibility for the stewardship of use of resources and financial accountability.

COMMENT ON THE ROLE OF THE CHIEF FINANCIAL OFFICER

86. The council has reviewed its financial management arrangements to ensure that they conform with the requirements of CIPFA's Application Note to Delivering Good Governance in Local Government on the *Role of the Chief Financial Officer in Public Service Organisations*.
87. The section 151 officer, or chief financial officer, has a responsibility to ensure that an effective internal audit function is resourced and maintained. The council has an in-house internal audit team, which comprises an audit manager and three auditors. The council requires internal audit to provide an effective service in accordance with professional standards, and internal audit officers must abide by the Institute of Internal Auditors Code of Ethics and receive suitable training and development to maintain the appropriate skills, experience and competence. The performance of internal audit is subject to quarterly review by the Audit and Governance Committee.

COUNCILLORS' AND SENIOR OFFICERS' DEVELOPMENT

88. We offer councillors a comprehensive induction programme. As a result of the May 2011 elections the council had 22 new councillors. Soon after election, councillors were invited to an induction evening to sign their declarations of acceptance of office and to sign up to the code of conduct. At the induction session, councillors met the service teams and also indicated their training needs. Training sessions on planning and licensing law have been held with needs assessment taking place in order to provide further relevant training. Members of the Audit and Governance Committee have received a self assessment questionnaire so that we can focus training on their needs. A training programme was delivered throughout 2012/13 and will continue in 2013/14. Two new councillors were elected during 2012/13 and were given training in their new committee roles.
89. Senior officers take part in induction sessions with all staff, along with the leader of the council. The development opportunities for senior officers include support towards a nationally recognised qualification e.g. a Master of Business Administration. They can attend programmes such as *aiming to be a corporate director*. Attendees evaluate these programmes, provide feedback at the end of each session and line managers review training during the appraisal and formal one to one process.

90. The corporate management team has attended a leadership development programme, consisting of several workshops covering the principles of high performing teams and elements of the Mastering Management programme that had previously been delivered to service managers. This was to further improve the relationships and quality of conversations between senior managers, to ensure that they provided clear and consistent leadership for the two organisations and understood the principles of what was covered in the Mastering Management programme.
91. We launched a management development programme (Mastering Management) for the newly appointed shared service managers in 2010/11, which continued into 2011/12. During 2012/13, the same programme was implemented for team leaders and supervisors. It included a module on *leading impact and influence* that covered skills to influence others, work collaboratively and to have challenging and difficult conversations. Another module was on *leading performance* that covered skills to raise performance through coaching within their teams.
92. As part of the programme, the team leaders attended *action learning sets* where they discussed individual challenges and received ideas on how to handle these situations from their colleagues. In addition, some team leaders are being mentored by a service manager. All these programmes ensure consistency of management practices across all levels of managers.
93. The council will continue to develop councillors' roles through a councillor development programme. It will be undertaken as a shared programme with South Oxfordshire District Council. The programme will result in actions to develop the effectiveness of councillors in their different roles. It will have the added objective of making decision-making in council and committee meetings more effective. The programme will encourage councillors to engage in training to meet their needs as well as the council's needs.
94. The councils will offer senior managers, service managers, and team leaders/supervisors further opportunities to consolidate their management development through refresher and follow-up sessions. The councils offered an element of the mastering management programme (an introduction to Transactional Analysis) to all employees, to provide them with the opportunity to benefit from an understanding of how to apply this technique for interpersonal relationships. This will continue to be offered to all employees.

<p>Action: To continue to develop councillors' roles through a councillor development programme.</p>

INTERNAL AUDIT AND THE INTERNAL AUDIT MANAGER

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

96. The internal audit manager contributes to the assurance process by commenting on the effectiveness and outcome of the programme of internal audits and comments on the effectiveness of the internal control environment of the council. The internal audit services are completely harmonised with South Oxfordshire District Council.
97. The internal audit manager's overall opinion offers satisfactory assurance on the basis of internal audit's own work. There is basically a sound system of internal control in place, but there are some weaknesses, which may put some system objectives at risk.
98. Internal audit is committed to providing anti fraud and corruption training. During 2012/13, the internal audit team have undertaken proactive anti fraud compliance testing to evaluate whether the control environment is sufficiently robust and to highlight areas of concern with regards to fraud and corruption issues. Internal audit also reviewed the risk management arrangements, and have identified minor areas for improvement.
99. Internal audit offers assurance that it has complied with the CIPFA Code and a formal quality assurance programme continues to be in place. Internal audit has completed a self-assessment against the code to identify areas for further improvement and no actions were identified.

<p>Action: To assess the need for anti fraud and corruption training for councillors and officers in 2014/15.</p>
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RISK MANAGEMENT

100. We harmonised our risk management approach with South Oxfordshire District Council and this allowed the council to enhance its approach to risk management by incorporating recommendations made by internal audit and considering the comments made by the Audit Commission during its use of resources review. We revised our risk management strategy to incorporate the harmonised approach and to create a joint strategy for both councils. Cabinet approved the strategy in 2009.
101. The risk management approach ensures that all risks are linked to strategic objectives, the likelihood and impact is assessed, the gross and net risks are identified and responsibility for mitigating actions is assigned to appropriate officers. We have designated risk champions for all service areas who refresh the operational risk registers quarterly, which heads of service review. Any mitigating actions required for operational risks are included in service plans where appropriate. The process requires the strategic management board to regularly review the strategic risk registers and also requires a report to the Audit and Governance Committee detailing the contents of operational risk registers.
102. We have a strategic risk register, owned by the strategic management board, with clear links between risks and strategic objectives and the new process requires the strategic management board to review the strategic risk register. We assigned responsibility for implementing the required mitigating actions to either one of the strategic directors or the chief executive. We presented an annual update report to the Audit and Governance Committee in March 2013.

103. Risk management is included in the induction package given to new employees. Guidance documents and procedures are available to all staff via a designated risk management area on the council's intranet. The council has designated risk champions who receive training as required and the corporate risk officer supports the champions in their duties.
104. The strategic management board has identified partnerships as a strategic risk and included this in the strategic risk register. The council's partnership manager has included partnership risks within the service team's operational risk register.
105. Risk management has been incorporated into the council's approach to writing report synopses where officers are required to detail the risks that the council faces in making its decision.

ANTI-FRAUD, BRIBERY, MONEY LAUNDERING AND WHISTLEBLOWING

106. Internal audit's rolling audit plan includes areas such as gifts and hospitality and the register of interests. A pro-active anti-fraud review is completed each year, and testing will identify if existing management controls are sufficient. The council raised the profile of the anti-fraud, bribery and corruption policy and the whistleblowing policy by increasing their visibility through inclusion on the council's website and the inclusion of anti-fraud and corruption arrangements in induction packages for new employees.
107. The council actively participates in the national anti-fraud initiative; publicises successful cases against fraud; has effective working arrangements; and, shares intelligence with relevant partner organisations e.g. the Police, Department for Work and Pensions, and the Housing Benefit Matching Service. The council has a good record of prosecuting fraudsters and administering penalties and cautions. It undertakes active recovery of fraudulent overpayments and ensures policies are applied consistently.
108. The internal control arrangements in place include the council's Constitution, the provision of an internal audit service, the presence of an active Audit and Governance Committee, transparent governance reporting through an assurance framework, and compliance with relevant laws and regulations.
109. The risk of money laundering to the council remains low. However, the council has an anti-money laundering policy and procedure and has designated the section 151 officer to be the council's anti-money laundering reporting officer.
110. During the year, we reviewed the anti-money laundering policy making it a joint policy with South Oxfordshire District Council. At the same time as updating the anti-fraud and corruption policy to build in the requirements of the Bribery Act, we also undertook a minor review of the policy and brought it to the attention of staff and councillors.

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

BUSINESS CONTINUITY

111. We started a full review of our business continuity arrangements during 2009/10 to take into account the management restructure and the decision to rationalise the business continuity arrangements with South Oxfordshire District Council. We produced a joint business continuity strategy with South Oxfordshire, which is now in place and we have business continuity plans supported by the disaster recovery plan and a joint crisis management plan. Each service has a plan administrator who reviews the business continuity plans every quarter and we update the crisis management plan when required. We now have a joint disaster recovery site with South Oxfordshire District Council. As part of the procurement process, contract specifications include a requirement for potential suppliers to provide the council with details of their business continuity arrangements.
112. We presented an annual update report to Audit and Governance Committee in March 2013 and a simulated business continuity exercise took place on 2 May 2012.

AUDIT AND GOVERNANCE COMMITTEE

113. Our Audit and Governance Committee undertakes the core functions of an audit committee as set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities (2005).
114. Following the election of new councillors in May 2011, we again asked committee members to undertake a self assessment so that we understand committee members' training needs. A training programme was rolled out during 2012/13 and will be extended to 2013/14.
115. In May 2012 the full Council agreed that the Audit and Governance Committee should take on aspects of the role of the former standards committee in dealing with code of conduct complaints against district, town and parish councillors. The committee agreed procedures for dealing with code of conduct complaints at its meeting in July 2012.

SCRUTINY COMMITTEE

116. Arising from the Fit for the Future review of functions, the council further decided to improve the effectiveness of the scrutiny function with just one scrutiny committee with effect from May 2008. This committee continues to help develop council policy and reviews performance in meeting council objectives.

COUNCILLORS' CODE OF CONDUCT

117. On 8 June 2012 we received confirmation from Government that a new code of conduct would come into effect on 1 July 2012. In anticipation of this legislation the council adopted a revised code of conduct in May 2012, effective from 1 July.
118. In May 2012 the Council decided that it would not have a standards committee but that the Audit and Governance Committee would assume responsibility for dealing with code of conduct complaints.
119. Until 30 June councillors continued to operate under the code of conduct (the code) adopted in 2007.

120. In order to comply with the new legislation, the council agreed the appointment of two independent persons in July.
121. As the need arises, officers have delivered briefings and advice on the code to district and parish and town councillors as well as parish and town clerks. Councillors received briefings on the implications of the revised code of conduct.
122. Until 30 June the standards committee continued to carry out the local assessment of code of conduct complaints. From 1 July the monitoring officer has decided what action to take on complaints in consultation with the independent persons. The monitoring officer did not refer any complaints to the Audit and Governance Committee and has not sent any complaints for investigation.

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

EXTERNAL SOURCES OF ASSURANCE ON THE GOVERNANCE FRAMEWORK

123. Issues raised by our external auditor, and other external inspectors are used to identify improvement areas in our governance arrangements. The Audit Commission was the council's external auditor up until 31 October 2012 at which point it was disbanded. Ernst & Young was appointed as the council's external auditor from 1 September 2012. The Audit Commission was responsible for auditing the council's 2011/12 accounts, whereas Ernst & Young was responsible for auditing the 2012/13 accounts.
124. This was the second year the council had prepared its accounts under International Financial Reporting Standards and the Audit Commission issued an unqualified opinion on the financial statements in September 2012. However, the Audit Commission raised several suggestions for quality assurance improvements for the council to build this into the process before the audit of accounts for 2012/13.

Action: Quality assurance procedures should be carried out before the 2012/13 accounts are presented for audit.

- CERTIFICATION OF ANNUAL CLAIMS

125. In January 2013, the Audit and Governance Committee considered the annual certification report 2011/12 from the council's external auditor, Ernst & Young. This looked at the sums the council claimed from the government in grants and subsidies and checked whether the council had correctly accounted for these in its returns to government. The committee noted that the council's housing benefit subsidy claim was subject to both amendment and qualification. The amendment affected the grant due to the council, increasing it by £6,963. The auditor drew the committee's attention to the non-housing revenue account rent rebates section of the housing benefit claim. There were a number of errors disproportionate to the number and value of claims. The auditor believed effective data cleansing of non-housing revenue account cases would

significantly reduce these errors, reduce audit time, and reduce the impact on benefit staff in resolving queries.

- LOCAL GOVERNMENT OMBUDSMAN

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

127. At its meeting in September 2012, the Audit and Governance Committee considered the Ombudsman’s letter for the period 1 April 2011 to 31 March 2012.

128. During 2011/12 the Local Government Ombudsman determined seven complaints but had found no evidence of maladministration against the complainants.

129. In terms of complaints received by the council under its own complaints procedure, the number fell to 102, compared to 184 the previous year. Finance and Planning received the highest number of complaints.

Significant governance issues

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

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

Report to:

Audit and Governance Committee Cabinet Council

Report of: Head of Finance

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To: Audit and Corporate Governance Committee on: 23 September 2013

To: Cabinet on: 4 October 2013

To: Council on: 23 October 2013

Treasury management outturn 2012/13

That Audit and Governance Committee:

1. Notes the treasury management outturn report 2012/13 and
2. Is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy.
3. Make any comments and recommendations to cabinet as necessary.

That Cabinet:

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

1. Approve the treasury management outturn report for 2012/13;
2. Approve the actual 2012/13 prudential indicators within the report.

Purpose of Report

- 1 The report fulfils the legislative requirements to ensure the adequate monitoring and reporting of the treasury management activities and that the council's prudential

indicators are reported to council at the end of the year. The report provides details of the treasury activities for the financial year 2012/13.

Strategic Objectives

- 2 Effective treasury management is required in order to meet our strategic objective of managing our business effectively. Managing the finances of the authority in accordance with the treasury management strategy will help to ensure that the resources are available to deliver our services and meet the council's other strategic objectives.

Background

- 3 The council's treasury activities are strictly regulated by legislation. The CIPFA Prudential Code and CIPFA Treasury Management Code of Practice requires a report to be provided at the end of the year. The report covers the treasury activity for 2012/13.
- 4 The 2012/13 treasury management strategy was approved by council on 23 February 2012. This report provides details on the treasury activity and performance for 2012/13 against the prudential indicators and benchmarks set for the year. Full council is required to approve this report.
- 5 An update on the economic conditions and interest rate forecasts is contained in appendix 'A'.

Icelandic bank default – Landsbanki Islands hf

- 6 As previously reported, the Council has an investment of £1m with Landsbanki. The Icelandic Government has stated its intention to honour all its commitments as a result of their banks being placed into receivership.
- 7 In April 2011 the Reykjavik District Court ruled that local authorities' claims qualified for priority under Icelandic bankruptcy legislation. The decision was appealed to the Icelandic Supreme Court who affirmed the district court's ruling in October 2011. Subsequently the Reykjavik District Court recognised the council's claim at £1,004,890.41 (being the principal sum plus interest due).
- 8 It is estimated that we will receive the full amount of the claim, although repayments will be received in stages up to 2018. The first distribution payment was made in December 2011, to date the council has received £481,311. Councillors will be periodically informed on the latest developments as they become known. In March 2012 the Winding Up Board for Landsbanki Islands hf anticipated that recovery would exceed the book value of claims and as a result the Council is eventually likely to recover 100 per cent of their deposit.

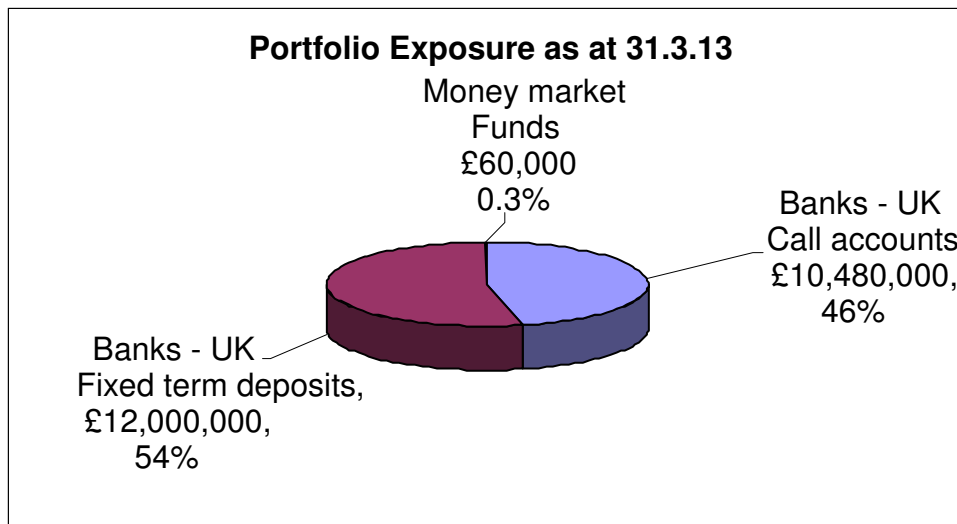
Treasury activities in 2012/13

Council investments as at 31 March 2013

9 The council's investments at 31 March 2013 were as follows:

Table 1: maturity structure of investments at 30 March 2013:		
	£000's	% holding
Call	10,480	46%
Money market fund	60	0%
Up to 4 months	8,000	35%
5 to 6 months	4,000	18%
6 months to 1 year	-	0%
Total investments	22,540	100%

- 10 The majority of the funds invested are held in the form of fixed interest rate and term cash deposits. These provide some certainty over the investment return. The investment profile is organised in order to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.
- 11 Funds managed externally by Investec were brought back in-house at the end of July 2012. These funds were reinvested directly in fixed term deposits. This decision has produced annual savings in management fees of £19,000 per annum in addition to the increase in investment income for the year.
- 12 Money market rates in the last six months of the year have fallen significantly. One year rates have dropped by over 1.25 per cent. The governments Funding to Lending Scheme (FLS) has provided access to cheap borrowing for both banks and building societies. This has reduced the demand within the money markets significantly and had a real impact on the investment rates. It has been difficult to find re-investment opportunities which also meet the security and risk criteria.
- 13 The weighted average maturity period at the end of the year was 45 days.
- 14 The chart below shows in percentage terms how the portfolio is spread across investment types:



Investment income

15 The total investment income achieved in 2012/13 was £553,000 compared to the original budget estimate of £417,000 as shown in table 1 below:

Table 2: Investment interest earned by investment type			
Investment type	Actual Budget £000's	Actual Interest £000's	Variation £000's
Call accounts	177	67	110
Cash deposits	-	433	(433)
MMFs	-	6	(6)
Fund Manager	240	47	193
Total Interest	417	553	(136)

16 The actual return achieved was 33 per cent higher than the original budget. This was due to :

- The average rates achieved on internally managed investments were higher than originally forecast.
- The average maturity period for investments was extended throughout the first six months of the year.
- Average balances throughout the year have remained higher than forecast.

17 The total actual average interest rate achieved for the year was 2.04 per cent.

Performance measurement

18 A list of investments as at 31 March 2013 is shown in appendix B. The average level of investments held throughout the year was £27 million and the average return on these investments is shown below in table 3.

Table 3: investment returns achieved against benchmark				
	Benchmark return	Actual return	Growth (below)/above benchmark	Benchmarks
	%	%	%	
Bank & building society deposits - managed in house	0.39%	2.04%	1.65%	7 day LIBID
Industry average*	0.39%	1.12%	0.73%	

*Source : Sector weighted average of 6 fund managers' results covering 35 funds

19 The table shows in summary the performance of the council's investments against the benchmarks set out in the treasury management strategy. These benchmarks are used to assess and monitor the council's investment performance. The annual investment strategy set the benchmark target for internal cash invested as the 7day LIBID. The performance for the year of 2.04% exceeded the benchmark by 1.65 per cent and was 0.92 per cent above the industry average.

20 The council uses short-term investments to meet daily cash-flow requirements and has also aims to invest a proportion of the portfolio over longer dated cash deposits where possible. The weighted average life (WAL) of the council's investments has decreased to 45 days from 139 days in 2011/12. This is due to the rates we achieved on our call accounts exceeded the fixed term deposit rate for 12 month deposits and therefore investments were kept 'on call'.

External Fund Managers

21 The funds managed by Investec of £10 million, were closely monitored over a period of months in 2012. Performance did not improve significantly. As a result officers took the decision to withdraw the remaining funds at the end of July 2012.

Land and Property

22 The council holds a portfolio of non-operational assets, which includes land, offices and shops that are let on a commercial basis. These assets had a net book value of £20.8 million at 31 March 2013 (£29.4 million as at 31 March 2012) and generated income of £1.5 million (£1.4 million in 2011/12). This is equivalent to a gross return of 7.2% (2011/12, 4.7%), which excludes costs such as maintenance and management fees. Due to movement in property values and the exclusion of whole life costs, these rates of return should not be taken as a direct comparison with the treasury rates. The Economy, Leisure and Property (ELP) team manages investment property ensuring that rent is collected and rent reviews are implemented. The performance of the investment property is assessed annually to determine if assets should be retained or disposed of.

Treasury management limits on activity

23 The council is required by the Prudential Code to report on the limits set each year in the treasury management strategy. The purpose of these limits is to ensure that the activity of the treasury function remains within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if these limits are set to be too restrictive they will impair the opportunities to reduce costs/improve performance. During the year none of these limits were exceeded. These limits are shown in appendix C.

Liquidity and yield

24 The benchmarks for liquidity are set to ensure that sufficient funds can be accessed at short notice. These are targets and not limits. The weighted average life (WAL) in days sets a benchmark for how long investments should be made and the maximum benchmark is a target set to ensure that investments are not made for too long. For example the amount to be maintained for liquidity was £10m and the actual of £11m was above the benchmark. The actual year end position for the WAL of 45 days was lower than the benchmark of 91 days and did not exceed the maximum of 360 days. This reduction was due to longer dated deposits maturing towards the end of 2013, and a lack of new opportunities to reinvest in deposits of a similar maturity length.

25 The year end position against the original benchmarks approved in February 2012 is shown below:

	2012/13 Benchmark £m	2012/13 Actual £m
Bank overdraft	0.5	0
Short term deposits - minimum available within 1 week	10	11
	2012/13 Benchmark	2012/13 Actual
Weighted average life (days)	91.0	45.0
Weighted average life - maximum	360.0	45.0

Debt activity during 2012/13

26 During 2012/13 there has been no need for the council to borrow. The council will continue to take a prudent approach to its debt strategy. The prudential indicators and limits set out in appendix C provide the scope and flexibility for the council to borrow in the short-term up to the maximum limits, if such a need arose within the cash flow management activities of the authority, for the achievement of its service objectives.

Financial implications

27 A year ago, forecasts were that inflationary pressures would mean that interest rates would have to start rising towards the end of 2012. This has not happened and the current outlook for growth in the UK economy means interest rates are very low and are likely to remain so. The investments made in 2012/13 ensured that the council earned interest of £553,000, however from 2013, income is anticipated to reduce until

market rates rise. This will be reflected in the council's 2014/15 budget and its medium term financial plan.

Legal implications

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

Conclusion

29 As at 31 March 2013, the council's financial investments had a cost value of approximately £22.5 million. As a result of proactive management of investments held, and despite a fall in market interest rates, during 2012/13 investments generated £553,000 in investment income, which was £136,000 above the £417,000 original budgeted estimate. Officers identified mid year that the external funds were under performing and took steps to bring back a portion of these funds and re-invest in fixed term deposits at higher rates.

30 The financial year 2012/13 provided volatile conditions with regard to treasury management. Concerns for counterparty risk continue to present the council with a difficult environment to invest in. The main implications of these factors were:

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

31 Despite the continued uncertainty the overall investment performance was above the industry average for 2012/13. Investments were made in the year that provided a good return whilst maintaining security and liquidity.

Background papers

- Chartered Institute of Public Finance and Accounting (CIPFA) code of practice for treasury management in the public sector.
- CIPFA treasury management in the public services code of practice and cross sectoral guidance notes
- Treasury Management Strategy 2012/13 – Council 23 February 2012.

Appendices

- A – Economic update and interest rates
- B – List of investments as at 31 March 2013
- C – Prudential indicators
- D – Glossary of terms

Economic Update and interest rates as at August 2013

- A1. Growth in the UK economy remains weak. National debt is expected to rise above 100 per cent of GDP by 2015-16 and this resulted in the UK losing its AAA rating.
 - A2. Household financial conditions remain subdued. Job fears, inflation eroding disposable incomes, small or no pay increases are all factors contributing to consumers ability to spend and overall living standards have fallen in real terms due to the sharp price rises relative to wages. Average real wages have fallen every month since June 2008. The squeeze on households' income will remain a critical factor in the economy over the next few years. Inflation is the main cause and will continue to have the greatest impact on living standards as real income will continue to decline. The slow recovery has meant that social security payments remain high and tax income is low.
 - A3. The Euro region suffered a further period of stress with Spain forced to officially ask for a bailout of its domestic banks. However, the ECB declared it would do whatever it takes to stabilise the Eurozone.
 - A4. The government Funding for Lending Scheme (FLS) has been introduced to improve access to mortgages at lower rates. This has affected lenders need to borrow and money market rates have fallen considerably as a result. There will be a need to increase interest rates and reverse the government bond purchases at some stage, but it is unlikely to happen in the next 12 to 24 months.
 - A5. Investor demand in UK gilts as a 'safe haven' continues to keep yield increases down. Long term rates will eventually rise, mainly due to the fact that high volumes of gilts have been issued already in the UK and also in other major western countries.
 - A6. The interest rate forecast is based on the assumption that growth starts to recover in the next three years. If the EZ crisis worsens or low growth in the UK continues the base rate is likely to remain low for longer than this forecast.
 - A7. Concerns over investment counterparty risk remain because of the volatile economic conditions. However the council's current treasury management policy manages this risk down to a low level.
1. Interest rates
- A8. The Bank of England changed its forecast significantly in the August Inflation report and upgraded its growth predictions to 1.4% in 2013 and 2.5% in 2014.
 - A9. Bank rate remained unchanged at 0.5% throughout the first half of 2012/13. The earlier forecast of a rate rise in Q4 of 2014 has been postponed until Q4 in 2016.

A10. Investment rates have remained flat with a range between 0.5 per cent to around 1.0 per cent for up to a year's maturity. This has dropped significantly as banks and building societies were offered further cheap cash supply via the FLS. The short term rates from one month to six months offer very little differential with six month rates ranging between 0.37 per cent and 0.55 per cent.

A11. Sector's forecast of the expected movement in medium term interest rates:

	NOW	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3 month LIBID	0.39	0.40	0.40	0.40	0.40	0.40	0.40	0.40
6 month LIBID	0.47	0.50	0.50	0.50	0.50	0.50	0.50	0.50
12 month LIBID	0.74	0.80	0.80	0.80	0.80	0.80	0.80	0.80
5 yr PWLB	2.20	2.20	2.20	2.20	2.20	2.20	2.30	2.40
10 yr PWLB	3.40	3.30	3.30	3.30	3.30	3.30	3.40	3.50
25 yr PWLB	4.30	4.20	4.20	4.30	4.30	4.40	4.50	4.60
50 yr PWLB	4.30	4.30	4.30	4.40	4.40	4.50	4.60	4.70
	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
3 month LIBID	0.40	0.40	0.40	0.40	0.50	0.60	0.80	1.00
6 month LIBID	0.50	0.50	0.50	0.60	0.70	0.90	1.10	1.30
12 month LIBID	0.80	0.90	1.00	1.20	1.40	1.60	1.80	2.00
5 yr PWLB	2.50	2.60	2.80	2.90	3.00	3.20	3.30	3.40
10 yr PWLB	3.60	3.80	3.90	4.10	4.20	4.30	4.40	4.50
25 yr PWLB	4.70	4.80	4.90	5.00	5.00	5.10	5.10	5.20
50 yr PWLB	4.80	4.90	5.00	5.10	5.10	5.20	5.20	5.30

Investments as at 31 March 2013

Counterparty	Deposit Type	Principal £	Rate
Lloyds TSB Bank Plc	Fixed	3,000,000	3.00%
Lloyds TSB Bank Plc	Fixed	2,500,000	3.00%
Lloyds TSB Bank Plc	Fixed	2,500,000	3.00%
Royal Bank of Scotland	Fixed	4,000,000	2.25%
Royal Bank of Scotland	Call	8,000,000	1.05%
Santander	Call	2,480,000	0.90%
Goldman Sachs	MMF	60,000	Variable
Total Investments		22,540,000	

Prudential indicators as at 31 March 2013		
	2012/13 Original estimate £m	31.03.2013 Actual £m
Authorised limit for external debt		
Borrowing	5	0
Other long term liabilities	0	0
	5	0
Operational boundary for external debt		
Borrowing	2	0
Other long term liabilities	0	0
	2	0
Investments		
Interest rate exposures		
Limits on fixed interest rates	50	23
Limits on variable interest rates	10	0
Maximum principal sums invested > 364 days		
Upper limit for principal sums invested > 364 days	20	0

Appendix D

GLOSSARY OF TERMS

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

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

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

Audit and Governance Work Programme

containing Audit and Governance Committee work to be undertaken
1 September 2013 - 31 March 2014



The audit and governance work programme belongs to the council's 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 Audit and Governance Committee meeting; however, the council may allocate additional work.

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

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit activity	Audit and Governance Committee 23 Sep 2013	Craig Pullen Tel. (01491) 823544 Email: craig.pullen@southandvale.gov.uk	The council audits its services through the internal audit service.	To review the outcomes from the internal audits and recommend any further actions or improvements.	
Internal audit management	Audit and Governance Committee 23 Sep 2013	Craig Pullen Tel. (01491) 823544 Email: craig.pullen@southandvale.gov.uk	The committee monitors the effectiveness of the internal audit each quarter.	To monitor the management of internal audit.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
External auditor's annual governance report 2012/13 - audit results (ISA 260) report	Audit and Governance Committee 23 Sep 2013	Steve Bishop, Strategic Director and Section 151 Officer Tel. (01235) 540332 Email: steve.bishop@soouthandvale.gov.uk	The external auditor publishes an annual governance report on the council's activities, including an overall opinion on the council's financial statements and on the value for money the council provided, a Whole of Government Accounts Certification, and an audit completion certificate.	To consider the external auditor's audit results report 2012/13.	
Statement of accounts 2012/13	Audit and Governance Committee 23 Sep 2013	William Jacobs, Head of Finance Tel. (01235) 540455 Email: william.jacobs@southandvale.gov.uk	The council must produce a statement of accounts each year.	To approve the statement of accounts 2012/13.	
Annual governance statement 2012/13	Audit and Governance Committee 23 Sep 2013	Steve Culliford Tel. (01235) 540307 Email: steve.culliford@southandvale.gov.uk	The council is required to publish an annual governance statement.	To approve the annual governance statement.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Treasury management outturn 2012/13	Audit and Governance Committee 23 Sep 2013	William Jacobs, Head of Finance Tel. (01235) 540455 Email: william.jacobs@southandvale.gov.uk	The committee is responsible for the scrutiny of the council's treasury management activity.	To consider the treasury management outturn for 2012/13.	
Comments and complaints 2012/13	Audit and Governance Committee 23 Sep 2013	David Buckle Tel. (01235) 540303 Email: david.buckle@southandvale.gov.uk	The committee is charged with the responsibility of monitoring the council's comments and complaints.	To review the complaints received during 2012/13.	
Treasury management mid-year report 2013/14	Audit and Governance Committee 27 Jan 2014	William Jacobs, Head of Finance Tel. (01235) 540455 Email: william.jacobs@southandvale.gov.uk	The committee is responsible for the scrutiny of the council's treasury management activity.	To consider the treasury management mid-year report 2013/14.	
Treasury management strategy 2014/15	Audit and Governance Committee 27 Jan 2014	Bob Watson Tel. (01235) 540426 Email: bob.watson@southandvale.gov.uk	The committee is responsible for the scrutiny of the council's treasury management activity and to propose a strategy to Council for the management of this function in the forthcoming year.	To consider the draft treasury management strategy for 2014/15 and recommend its adoption to Council.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
External auditor's annual audit letter	Audit and Governance Committee 27 Jan 2014	Steve Bishop, Strategic Director and Section 151 Officer Tel. (01235) 540332 Email: steve.bishop@southandvale.gov.uk	The external auditor, Ernst & Young, is responsible for auditing the council's business.	To consider the external auditor's annual audit letter.	
Internal audit plan 2014/15	Audit and Governance Committee 17 Mar 2014	Craig Pullen Tel. (01491) 823544 Email: craig.pullen@southandvale.gov.uk	The council audits its services through the internal audit service.	To approve the internal audit plan for 2014/15.	