

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 11 May 2022 commencing at 2.00 pm and finishing at 3.50 pm.

Present:

Voting Members:

Councillor Roz Smith – in the Chair
Councillor Donna Ford
Councillor Nick Leverton
Councillor Dan Levy
Councillor Ian Middleton
Councillor Michael O'Connor
Councillor Judy Roberts
Councillor Ted Fenton
Councillor Susanna Pressel (substituting for Councillor Baines)
Dr Geoff Jones

Other Members in Attendance:

Councillor Callum Miller

Officers:

Lorna Baxter, Director of Finance; Tim Chapple, Tessa Clayton, Katherine Kitashima, Richard Quayle, and Georgina Cox (Finance); Anita Bradley, Director of Law & Governance; and Vic Kurzeja, Director for Joint Property Team.

Other Persons in Attendance

Maria Grindley and Adrian Balmer (Ernst & Young)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with [a schedule of addenda tabled at the meeting] [the following additional documents:] and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports, and schedule/additional documents], copies of which are attached to the signed Minutes.

29/21 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies for absence were received from Cllr Brad Baines, Deputy Chair. Cllr Pressel substituted for Cllr Baines.

30/21 DECLARATION OF INTERESTS

(Agenda No. 2)

There were none.

31/21 MINUTES

(Agenda No. 3)

The Committee considered the minutes of its meetings of –

5 January 2022

The Committee approved the minutes of its meeting of 5 January 2022 and authorised the Chair to sign them as a correct record.

The following matter arose out of consideration of the minutes.

Item 7/22: Internal Audit Plan – Progress Report

Referring to the Action Point on Page 6 of the Minutes, it was noted that Members of the Committee had yet to be provided with copies of the Blue Badge scheme key performance indicators (KPIs).

ACTION: Community Operations (KS) to provide Members with copies of the Blue Badge scheme KPIs.

16 March 2022

The Committee approved the minutes of its meeting of 16 March 2022 and authorised the Chair to sign them as a correct record, subject to the following amendments.

(a) Attendance

That Councillor Donna Ford be added to the list of Voting Members present at the meeting, and that Dr Geoff Jones, whose name had been recorded twice, once as a Voting Member and once as a Non-Voting Member, be recorded as being present as a Non-Voting Member.

(b) Item 17/2: Audit & Governance Committee Annual Report

Page 15, Paragraph (b): Members could not recall whether it was Councillor Judy Roberts or Councillor Donna Ford who had raised the query referred to in Paragraph (b). The Chair noted that, when recording the minutes of meetings of the Audit & Governance Committee, there was a convention, given the number of questions asked by Members during meetings of the Committee, not to attribute the names of councillors to the questions they asked.

Therefore, it was proposed to amend Paragraph (B) to read, as follows:

“In response to a query [delete “*raised by Councillor Roberts*”] regarding the attendance of the external auditors...”.

(c) Item 23/22: Report of the Audit Working Group

The acronym “HF1”, be replaced with the correct acronym “HIF1” (Housing Infrastructure Funding 1).

The following matter arose out of consideration of the minutes.

Item 27/22: Summary of Items Considered in the Press and the Public Were Excluded from the Meeting

Operation Edifice Investigation Report

Referring to the Resolution where it stated that “The Audit & Governance Committee be provided with... a copy of the [Officer] Procurement Handbook, Anita Bradley, Director of Law and Governance, informed the Committee that the Handbook was presently being updated and that the updated version of the handbook would be circulated to Members of the Committee in due course.

ACTION: Copies of the updated version of the Officer Procurement Handbook to be circulated to Members of the Committee when it became available (AB).

32/21 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were none.

33/21 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR

(Agenda No. 5)

The Audit & Governance Committee considered a report by the Chief Internal Auditor summarising the outcome of the Internal Audit work carried out in 2021/22 and providing an opinion on the Council's System of Internal Control. The opinion was one of the sources of assurance for the Annual Governance Statement.

It was recommended that the Audit and Governance Committee consider and endorse the annual report.

Tessa Clayton, Audit Manager, Oxfordshire County Council, presented the report.

In the subsequent discussion, the following points were raised.

(a) Referring to the overall opinion of “satisfactory assurance” regarding Oxfordshire County Council’s control environment and the arrangements for governance, risk management and control, it was proposed that there were some items which were not satisfactory, as indicated by their RAG (Red Amber Green) rating, including –

(i) Well-Being and Sickness Management

(ii) Facilities Management: cleaning asset management (and the short-term measures being adopted to address areas of concern – page 35 of the report)

(iii) Internal Audit Performance (Pages 35 & 36 of the report):

- Actual performance for 2021/22 compared with performance targets;
- Issuing of draft and final reports;
- Below target performance for agreed management actions implemented within the agreed timescales;
- Customer Satisfaction Questionnaires: the scoring system for levels of satisfaction was not clear; and
- Director satisfaction with internal audit work: 2021 review to be completed in 2022/23.

(iv) Appendix 1: Overall Conclusion and Management Action Implementation Status of 2021/22 Audits

- Differences in RAG ratings, for example: Payment Card Industry Data Security Standard (PCI-DSS): Green RAG rating; compared with –
 - IT “business as usual” Change Management: Amber RAG rating; and
 - Pensions Administration: Green RAG rating notwithstanding Reported Implementation Status as of 25 April 2022; and
- Section 106 – Spend: Amber RAG rating – should this be Green?

The Chair noted that RAG ratings were determined according to priority and implementation.

Lorna Baxter, Director of Finance, noted that the RAG rating in the column in the table headed "Conclusion" was the rating for the status of the Audit.

- (b) Under the section headed "Opinion on Systems of Internal Control: basis of the audit opinion" on page 30 of the report, it was noted that the absence of a Senior Auditor who was on a long-term leave of absence appeared to have a disproportionate effect on the effectiveness of the service.
- (c) In Paragraph 41 of the report under the heading "Internal Audit Performance Caps", officers clarified what was meant when it was stated that –

"The performance for the issue of draft reports has stayed the same as the previous year, however for the issue of finals this had reduced. We have reported in year to the committee that this was due to a positive reason whereby Corporate Directors, Senior Manager are now fully engaged in the audit report process and there is additional time needed now to fully engage with everyone and ensure a robust and quality management action plan is developed."

- (d) The Chair proposed that the references to Section 106 Spend 2021/22 in Appendix 3: Summary of Completed 2021/22 Audits since the last reported to the Audit and Governance Committee – January 2022, be referred to the Audit Working Group.

- (e) Regarding the Red RAG rating for the Facilities Management – Cleaning Asset Management, Members were informed that, last year, the Council's Property Team was in the throes of a transformation programme which ended in January 2022, and which included a new Management Team.

The new Management Team were concerned about key aspects of the service and commissioned two audits of the service. In response to the audits which identified issues of concern, both short-term and long-term measures were put in place to address these concerns, including asset and stock control. In addition, a new security contract had been issued and new cameras and monitoring systems had been installed.

- (f) Regarding IT security referred to on Pages 49 & 50 of the report under the subheading "IT Data Centre 2021/22" and, specifically, the ultimate paragraph on page 50 where it stated –

"The contract states that the supplier should maintain a business continuity plan which should be tested at least annually. We found that evidence of this has not been confirmed to provide assurance that the supplier has effective arrangements to recover services in the event of a major incident at their site."

Officers stated that the audit of the IT Data Centre was carried out by IT auditors and it would be necessary to refer any questions about assurances regarding arrangements to recover services in the event of a major incident back to the auditor.

ACTION: SC & TC to seek clarification from the IT auditors regarding assurances in respect of arrangements to recover services in the event of a major incident.

- (g) Regarding the Section 106 Monies referred to on Page 44 of the report under the subheadings "Reconciliation of Expenditure" and "Monitoring of Long Stops", officers stated that, regarding –

- (i) The reference to the Council having incurred costs without obtaining funds, officers would have to check whether the funds had been obtained before being able to confirm the accuracy of the statement; and
- (ii) Officers were not aware of any loss of section 106 monies in recent years because of longstop clauses,

ACTION: GC to confirm the status of section 106 monies received and section 106 monies lost because it was not spent and/or allocated accordingly.

- (h) Regarding the Garton Payroll & HR Processes 2021/22 referred to on Page 45 of the report, it was noted that this was the system used by the Fire Brigade and that it was unique to them.
- (i) Responding to a Member's question regarding Procurement on Page 60 of the report, under the subheading "Cleaning Services Asset Management 2021/22", the Chair noted there would be a report to the Committee on procurement matters and that this was a matter that might be referred to the Audit Working Group.
- (j) Regarding the operation of the assurance processes as a Member of the Hampshire Partnership, as set out in Paragraph 49 of the report, Dr Jones, Chair of the Audit Working Group, clarified how this worked in practice.

At this stage, the Chair drew the discussion to a close and proposed that the Committee moved to the recommendation set out at the start of the report.

RESOLVED: That the Committee endorse the annual report.

34/21 INTERNAL AUDIT STRATEGY & ANNUAL PLAN 2022/23

(Agenda No. 6)

The Audit & Governance Committee considered a report by the Director of Finance presenting the Internal Audit Strategy and Internal Audit Plan for 2022/23. A separate plan for Counter-Fraud activity would be presented to the July 2022 Committee. Appendix 2 of the report set out the annual Internal Audit Plan for 2022/23.

The Committee was RECOMMENDED to comment on and note the Internal Audit Strategy and Internal Audit Plan for 2022/23.

Tessa Clayton, Audit Manager, presented the report.

In the subsequent discussion, the following points were raised.

- (a) In response to Members questions, officers clarified some of the acronyms used in the report.
- (b) In response to a Member's questions about the following items referred to in Appendix 2: Internal Audit Plan 2022/23 –
 - (i) Page 73: whether August 2022 would be soon enough for the "Build back better – Introduction of Care Costs" Audit; and
 - (ii) Page 75: whether the "Leases" audit would include rent reviews, evaluations, and lease renewals,

Officers confirmed that –

- (i) Work on determining the Fair Cost of Care and the Market Sustainability Plan was required to be completed by October and to do this any sooner would not be practicable; and
- (ii) That, discussions concerning rent reviews, evaluations and lease renewals would form part of the scoping exercise in preparation for carrying out the audit.

NOTED

35/21 ACCOUNTING POLICIES FOR INCLUSION IN THE 2021/22 STATEMENT OF ACCOUNTS

(Agenda No. 7)

The Audit & Governance Committee considered a report by the Director of Finance setting out the approach taken to the preparation of the 2021/22 Statement of Accounts including:

1. The proposed timetable for the 2021/22 Statement of Accounts and External Audit;
2. Future changes to the Code of Practice on Local Authority Accounting in England and Wales (“the Code”); and
3. The approved Significant Accounting Policies which described how the Council had interpreted and applied the Chartered Institute of Public Finance and Accountancy (CIPFA) 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom which was the basis for the preparation of the accounts.

The Committee was RECOMMENDED to –

1. Note the proposed timetable for the 2021/22 Statement of Accounts and the highlighted future changes; and
2. Ratify the accounting policies as approved by the Chief Finance Officer annexed to the report.

Richard Quayle, Chief Accountant, presented the report

Lorna Baxter, Director of Finance, and Maria Grindley and Adrian Balmer of Ernst & Young (EY) gave a brief presentation in relation to the valuation of highways infrastructure assets, which had become a national issue, and its implications for the completion of the 2020/21 annual accounts. In addition, Ms Grindley and Mr Balmer updated the Committee on work that had been undertaken in completing the 2021/22 annual accounts. Ms Baxter apprised the Committee concerning costs relating to audit fees.

In the subsequent discussion, the following points were raised.

- (a) In response to several questions on the “Notes to the Core Financial Statements” (Page 87 *et seq.*), officers provided the following information -
 - (i) Regarding the role of district councils as agents of the County Council in collecting Council Tax and Business Rates (Page 88 under the heading “Council tax and business rates income”), bankruptcy of a local authority was not a consideration as central government would, in such circumstances,

provide financial support to local authorities by way of “Capitalisation Directions”.

(ii) Concerning the statement that “Land is determined to have an infinite life and is not depreciated” (Pages 90 & 91 under the heading “Depreciation of Property, Plant and Equipment), it was true that the value of land did not depreciate but was subject to valuation as part of the three-year valuation process carried out by officers.

(iii) Soft loans (Page 94 – under the heading “Financial Assets”) included loans to foster carers to make necessary adaptations to their homes to accommodate a foster child, the cost of which was less than paying for a child to be fostered by way of an external foster placement. In such an instance, interest would not be charged at the market rate.

(iv) Regarding self-insurance (Page 96 under the heading “Insurance”), the Council had a range of insurance packages, including insurance policies with insurance brokers.

(b) Regarding the section on Plant, Property and Equipment (PPE) in the “Notes to the Core Financial Statements”, it was necessary to change the “Date of Next Revaluation” for Year 3 in the table on Page 90 to 2023/24.

As there were no more questions, the Chair drew the discussion to a close.

RESOLVED: To –

a) Note the proposed timetable for the 2021/22 Statement of Accounts and the highlighted future changes; and

Ratify the accounting policies as approved by the Chief Finance Officer and included as an annex to the report.

36/21 TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT

(Agenda No. 8)

The Audit & Governance Committee considered the Treasury Management Annual Performance 2021/22 report by the Director of Finance. It was recommended that the Committee note the reports and recommend that Council note the Council’s activity in 2021/22.

The report was presented by Tim Chapple, Treasury Manager.

In the subsequent discussion, the following points were raised.

(a) In response to a Member’s questions, officers provided the following information –

(i) Investment in property would fall within the Council’s Investment strategy and not within the Treasury Management strategy.

(ii) The Lending List referred to in Paragraph 13 of the report under the heading “Investment Strategy”, was detailed in the Budget and Business Planning 2022/23 – 2025/26 report that went to Council on 08 February of this year.

It was noted that an ESG (Environmental Social and Governance) framework would be introduced into Treasury Practices later in the year which would come through the Audit & Governance Committee.

(iii) Regarding the loan to Cherwell District Council referred to in Annex 3: Oxfordshire County Council Investment Portfolio of 31/03/2022 (“Annex 3”), this was arranged via an independent broker at market rates and dealt with by officers under the Council’s scheme of delegation.

(iv) Regarding the loans to the Police and Crime Commissioners for Merseyside and Lancashire, as precepting authorities, were statutorily defined as local authorities.

(b) It was noted that, regarding Annex 4 and prudential borrowing, the Council was close to the operational limit for borrowing and would be close to the authorised limits for borrowing if there was a significant overspend on one of the Council’s major projects.

[It was noted that Appendix 4 included the Council’s Capital Finance Requirement instead of the Council’s Actual External Debt which was £313 million].

(c) Referring to External Deposits and the Council’s policy of not lending to foreign banks, Appendix 3 on page 8 of the report referred to a £10 Million loan to Australia and New Zealand Banking Group. It was noted that Australia and New Zealand Banking Group that were incorporated in the UK.

(d) In response to a Member’s questions, officers provided the following information –

(i) The Council had no in-house Russian investments. However, a check of the Council’s external funds had revealed a small amount of indirect exposure which was less than 1% of the funds and, therefore, deemed *de minimus*.

(ii) Regarding long-term lending, of the £79 million in deposits, these were deposits which had more than one year to mature as of 31 March 2022.

(iii) Annex 3 of the report set out all the Council’s deposits, including short-term deposits. The total amount of external deposits was £409 million.

Bringing the discussion to a close, the Chair thanked officers for the work carried out in preparing the report.

RESOLVED: That the Committee –

1. Note the report; and

Recommend that Council note the Council’s Treasury Management activity in 2021/22.

37/21 UPDATE ON ACTIVITIES OF THE CONSTITUTION REVIEW WORKING GROUP

(Agenda No. 9)

The Audit & Governance Committee considered a report by the Director of Law and Governance recommending that the Committee –

1. Note the progress of the Working Group made to date and the areas to be covered in the report to be delivered by 31 July 2022.

2. Approve, in principle, the idea that the Working Group should continue its work after 31 July 2022.

Anita Bradley, Director of Law and Governance, presented the report. In so doing, she noted that it was a recommendation of the Working Group that, at the conclusion

of the current review, the Council's constitution should be kept under review as part of an ongoing process.

The Chair noted that, should Councillor Pressel be elected Chair of the Council, she would be stepping back from her role as Chair of the Constitutional Review Working Group, which had a further six meetings scheduled for the current municipal year.

The Chair asked, as Deputy Chair of the Constitutional Review Working Group, that the appreciation by Members of the Working Group for the time spent and commitment of officers in assisting the Working Group be recorded in the minutes.

The Chair agreed with the recommendations of the Monitoring Officer, Anita Bradley, that the work of the Working Group should, in future, be more focused and that there be a review of the work of the Working Group in the autumn. The Chair went on to say she anticipated there would be a final report by the Working Group to Council in July of this year.

It was noted that the next meeting of the Audit & Governance Committee would take place after the July meeting of Full Council. Therefore, the Chair asked if Members wished to have sight of a further report before the final report by the Working Group was submitted to Council.

In the subsequent discussion, the following points were made.

(a) It was proposed that the Monitoring Officer, Anita Bradley, be given delegated authority to circulate the Constitution Review Working Group's (the Group) conclusions and recommendations to Members of the Audit & Governance Committee ahead of the Group's report to Council in July this year.

(b) That it was preferable not to delay reporting to Full Council as officers were anxious to implement some of the proposed revisions to the Council's Constitution, such as the Contract Procurement Rules.

(c) The Chair proposed that, regarding the second Recommendation viz

"[To] Approve, in principle, the idea that the Working Group should continue its work after 31 July 2022",

this be amended to read, as follows –

"Recommend to Full Council that –

1. The Constitution Review Working Group ("the Working Group") be reconstituted later in the year at a time to be determined by the Audit & Governance Committee;

2. That the Working Group –

(a) Be tasked by the Audit & Governance Committee to review specific sections of the Constitution; and

(b) That the Working Group –

- Report the findings of its review, and*
- Make appropriate recommendations,*

to a meeting of Full Council in 2023, the date of the Council meeting at which to report its findings and 70's recommendations to be determined by the Working Group.

RESOLVED: To approve the report's recommendations, as amended.

38/21 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2022/23

(Agenda No. 10)

The Audit & Governance Committee considered the Audit & Governance Committee (the "Committee") Work Programme 2022/23.

The Chair asked that an item on resurrecting the Constitution Review Working Group be added to the agenda for the July meeting of the Committee and that the Monitoring Officer, Anita Bradley, be charged with reporting on this item.

The Chair proposed that Members of the Committee who wanted the Constitution Review Working Group to look at specific issues in the Council's Constitution should raise the issue with Ms Bradley.

NOTED

39/21 LOCAL CODE OF CORPORATE GOVERNANCE

(Agenda No. 11)

The Audit & Governance Committee considered a report of the Director of Law and Governance recommending that the Committee approve the Local Code of Corporate Governance.

The report was presented by Anita Bradley, Director of Law and Governance.

In the subsequent discussion, the following points were raised.

(a) In *Appendix A: Actions and behaviours taken by the council that demonstrate good governance*, on Page 23 of the report, in the column section *Principal: (C) Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits*, it was proposed that climate change and environmental issues should be overriding concerns in the issues to be taken into consideration, as listed under the column: *Council Actions and Behaviours*, and that the issues to be taken into consideration should be reworded to reflect this overriding concern and to prevent any of the qualifications and considerations as presently listed being used to undermine the priority that should be accorded to climate change and environmental issues.

(b) In *Appendix B: Oxfordshire County Council's Evidence of Good Governance* on Page 26 of the report under the column headed *(B) Ensuring openness and comprehensive stakeholder engagement*, it was noted that there was no reference to the Council website and communications.

Ms Bradley stated that she would look at including suitable references to the Council website and communications in the document.

(c) Also, in *Appendix B*, on Page 27 of the report under the column headed *(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*, and the reference to "Delivering the Future Together Champions", Ms Bradley stated this was a reference to the Council's "Change" agenda and she could provide information to Members on this, if necessary.

(d) It was noted that the items listed in *Appendix A: Actions and behaviours taken by the council that demonstrate good governance*, reflected legal obligations and, therefore, it was not appropriate to give climate change and environmental issues a higher priority in the list of considerations which, it was proposed, should remain as they were and not be altered and/or amended.

The Chair noted that Appendix B included a column headed: *(C): Defining outcomes in terms of sustainable economic, social, and environmental benefits*, and that, on page 27 of the report, in the rows entitled *Evidence of Good Governance*, there was a reference to “Equality and Diversity and Inclusion Framework, Equality and Climate Impact Assessments”.

The Chair added that it was a part of the Council’s culture to refer to the climate emergency.

(e) In response to a member’s question, Ms Bradley stated that the reference to the 190 “Delivering the Future Together Champions” was to Members of Staff within the Council’s organisation and staff structure, and not a reference to Elected Members. She stated she would clarify what was meant by “Champions”, as referred to in the appendix.

As there were no more questions, the Chair drew the discussion to a close.

NOTED

The meeting ended at 3.50 p.m.

.....in the Chair

Date of signing