



To: Members of the Audit & Governance Committee

***Notice of a Meeting of the Audit & Governance
Committee***

Wednesday, 11 November 2020 at 1.00 pm

Virtual meeting via MS Teams

Please note that due to guidelines imposed on social distancing by the Government, the meeting will be held virtually.

If you wish to view proceedings please click on this [Live Stream Link](#).

However, that will not allow you to participate in the meeting.

A handwritten signature in blue ink, appearing to read 'Yvonne Rees'.

Yvonne Rees
Chief Executive

November 2020

Committee Officers: Lucy Tyrrell, Tel 07741 607824; E-mail:
lucy.tyrrell@oxfordshire.gov.uk

Membership

Chairman – Councillor Nick Carter
Deputy Chairman - Councillor Tony Ilott

Councillors

Paul Buckley
Dr Simon Clarke
Charles Mathew

D. McIlveen
Glynis Phillips
Roz Smith

Vacancy

Co-optee
Dr Geoff Jones

Notes:

- ***There will be a pre-meeting held virtually on Monday 9 November 2020 at 2.30 p.m. for the Chairman, Deputy Chairman and Opposition Spokesman.***
- ***Date of next meeting: 13 January 2021***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *“You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself”* or *“You must not place yourself in situations where your honesty and integrity may be questioned.....”*.

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines.

<http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declaration of Interests - see guidance note**
3. **Minutes** (Pages 1 - 8)

To approve the minutes of the meeting held on 16 September 2020 and to receive information arising from them.

4. **Petitions and Public Address**

This Cabinet meeting will be held virtually in order to conform with current guidelines regarding social distancing. Normally requests to speak at this public meeting are required by 9.00 a.m. on the day preceding the published date of the meeting. However, during the current situation and to facilitate these new arrangements we are asking that requests to speak are submitted by no later than 9.00 a.m. four working days before the meeting i.e. 9.00 a.m. on 5 November 2020. Requests to speak should be sent to lucy.tyrrell@oxfordshire.gov.uk together with a written statement of your presentation to ensure that if the technology fails then your views can still be taken into account. A written copy of your statement can be provided no later than 9.00 a.m. 2 working days before the meeting.

Where a meeting is held virtually and the addressee is unable to participate virtually their written submission will be accepted.

Written submissions should be no longer than 1 A4 sheet.

5. **OFRS Statement of Assurance 2019-20** (Pages 9 - 36)

1.10 p.m.

The Fire and Rescue National Framework for England (the Framework) sets out a requirement for fire and rescue authorities to provide an annual statement of assurance on financial, governance and operational matters and to show how they have due regard to the requirements of the Framework and the expectations set out in authorities' own integrated risk management plans.

To demonstrate this, the Framework requires that each authority must publish an annual statement of assurance. The Statement of Assurance 2019/20 document is intended to meet the obligation to produce this statement through reference to public webpages, existing reports and documents.

The Audit & Governance committee is RECOMMENDED to approve the report in its entirety.

6. Provision Cycle (Pages 37 - 50)

1.30 p.m.

Provision Cycle update to the Committee.

7. Treasury Management Mid Term Review (Pages 51 - 70)

2.00 p.m.

The report sets out the Treasury Management activity undertaken in the first half of the financial year 2020/21 in compliance with the CIPFA Code of Practice. The report includes Debt and Investment activity, Prudential Indicator monitoring and forecast interest receivable and payable for the financial year.

The Audit & Governance Committee is RECOMMENDED to:

- a) note the report, and***
- b) recommend Council to note the Council's Mid-Term Treasury Management Review 2020/21.***

15 MINUTE BREAK SCHEDULED

8. External Auditors (Pages 71 - 172)

2.45 p.m.

Representatives from Ernst & Young will attend to present the following:

- Oxfordshire County Council Draft Audit Results Report - Year ended 31 March 2020
- Oxfordshire Pension Fund 2019/20 Audit Results Report

9. Counter-fraud Update (Pages 173 - 176)

3.10 p.m.

This report presents an update on the Counter Fraud Arrangements.

The committee is RECOMMENDED to comment and note the updated arrangements for Counter-Fraud.

10. Redmond Review of Local Government Audit (Pages 177 - 186)

3.30 p.m.

In July 2019, upon the request of the Ministry of Housing, Communities and Local Government (MHCLG), Sir Tony Redmond commenced an independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England. The review received 156 responses to the Calls for Views and carried out more than 100 interviews. The report arising from the review was published on 8th September 2020. The key findings of the Review, summary of recommendations, and potential implications for the Council are set in this report.

The Audit and Governance Committee is RECOMMENDED to note the findings of the Redmond review.

11. Audit Working Group Report (Pages 187 - 190)

4.00 p.m.

This report presents the matters considered by the Audit Working Group Meeting of 21 October 2020.

The Committee is RECOMMENDED to note the report.

12. Carillion Update

4.15 p.m.

The Director for Property, Investment and Facilities Management will present a verbal update to the Committee.

13. Work Programme (Pages 191 - 192)

4.25 p.m.

To review the Committee's work programme.

Close of meeting

An explanation of abbreviations and acronyms is available on request from the Chief Internal Auditor.

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AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 16 September 2020 commencing at 1.00 pm and finishing at 3.40 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)
Councillor Paul Buckley
Councillor Dr Simon Clarke
Councillor Charles Mathew
Councillor D. McIlveen
Councillor Glynis Phillips
Councillor Roz Smith

Non-voting Members Dr Geoff Jones

By Invitation: Janet Dawson and Adrian Balmer, Ernst & Young

Officers:

Whole of meeting Sarah Cox, Chief Internal Auditor; Steve Jorden, Corporate Director Commercial Development, Assets and Investment; Glenn Watson, Principal Governance Officer; Lorna Baxter, Director for Finance; Lucy Tyrrell, Committee Officer

Part of meeting

Agenda Item	Officer Attending
5	Richard Webb, Assistant Director of Regulatory Service
8	Tessa Clayton, Audit Manager
12	George Eleftheriou, Director for Property, Investment and Facilities Management

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.

36/20 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies for absence.

Councillor Jeanette Matelot advised she will continue to attend the Committee on a temporary basis.

37/20 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

38/20 MINUTES

(Agenda No. 3)

The minutes of 16 September 2020 were agreed. Councillor Nick Carter advised, as agreed with Democratic Services, that minutes are formally approved and held to be signed at a later date.

Item 27/20 – Councillor Roz Smith questioned if there any further changes had been made to the Statement of Accounts 2019/20? Lorna Baxter confirmed that the external audit is currently being undertaken and no changes identified at this stage.

Item 31/20 – Glenn Watson advised that there is another stage in the consultation of the Model Member Code of Conduct. The LGA are hosting a webinar that will provide further information, close the consultation and issue a report, of which Glenn Watson advised he will be attending.

39/20 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

None received.

40/20 SURVEILLANCE COMMISSIONER'S INSPECTION AND REGULATION OF INVESTIGATORY POWERS ACT

(Agenda No. 5)

The Committee had before it the report which highlighted the Regulation of Investigatory Powers Act 2000 which creates a framework within which public bodies can lawfully carry out covert activities. The report also included a policy document in Annex 1 identifying changes to the Policy for Compliance with the Regulation of Investigatory Powers Act 2000 for the Committee to consider.

Richard Webb, Assistant Director of Regulatory Service in introducing the report, highlighted the following:

- As part of the legislative regime, the Office of Surveillance Commissioners inspected our policies, procedures, operations and administration in May 2017. All actions from this inspection have been completed and included in the 2018 annual report to this Committee.
- Between April 2019 and March 2020, the Council authorised covert surveillance on 7 occasions, the same as the previous year.
- Other authorisations under the Act related to age related products, e.g. tobacco and alcohol, however the main focus has been on the sale of knives to persons under the age of 18. The data identifies a worrying proportion of

traders who sell knives to persons under the age of 18, so will continue with this area of work and consider if criminal action should be involved.

- The policy has been improved following observations from the inspection and review by Oxfordshire County Council's Head of Legal, and a revised version will be circulated to the Committee once this has been concluded.

Richard Webb responded to points raised by members of the Committee as follows:

- RIPA does not stray across working practices that exist in the Council's normal operations around briefing members. If there is a gap and there are members not informed, this should be addressed elsewhere.
- It would be the responsibility of the service area to notify Councillors of any potential damage to reputation in their service, and covert surveillance would not normally be requested in a situation that required police involvement.
- Outcomes of investigations are provided to Councillors; however, these are not provided during an ongoing investigation.
- Volunteers are not paid, as government advice is that it is inappropriate and incentivise to seek a particular outcome.
- No applications to the magistrate have been turned down in the year reported.

RESOLVED to:

- (a) Consider and note the use of activities within the scope of the Regulation of Investigatory Powers Act by the Council, and**
- (b) Note the Policy document at Annex 1 and to comment on any changes to the Policy for Compliance with the Regulation of Investigatory Powers Act 2020 that the Committee would wish the Monitoring Officer to consider.**

41/20 LOCAL GOVERNMENT OMBUDSMAN'S REVIEW OF OXFORDSHIRE COUNCIL

(Agenda No. 6)

Steve Jorden, Interim Monitoring Officer and Corporate Director of Commercial Development, Assets and Investment introduced the annual review report produced each year by the Local Government and Social Care Ombudsman (LGSCO) which relates to complaints made to the LGSCO about the Council in the previous financial year.

Glenn Watson, Principal Governance Officer responded to Members queries as follows:

- There has been an increase in upheld complaints, however there are overall fewer complaints through our own processes. 97% were satisfactorily completed and not taken further to the Ombudsman.
- Fewer complaints were made to the LGSCO, and of the 21 that were considered, 16 were upheld which is an increase from the previous year.
- The Council has engaged constructively with the Ombudsman to ensure complaints are brought to satisfactory conclusion and this has been noted within the report and actions provided from the Ombudsman.
- Complaints are handled via a two-stage process, with the second stage requiring sign off supported by a Manager to comply with the Officer's decision, thereby at Director level rather than Officer level.

- This report is an overview which highlights some updating of our processes and procedures, this is currently being addressed through our transformation programme.

Councillor Glynnis Phillips commented that financial redress figures had been provided for one case set out in Annex 2, and although appreciated that detailed financial information cannot be included for each case, would request that the total amount paid out be included in the narrative on an annual basis.

RESOLVED to note and comment on this report and on the Local Government Ombudsman's Annual Review of Oxfordshire County Council for 2019/20.

42/20 MONITORING OFFICER ANNUAL REPORT

(Agenda No. 7)

Steve Jorden, Interim Monitoring Officer and Corporate Director of Commercial Development, Assets and Investment introduced the report which demonstrates the Council's expectation that high standards of conduct will continue to be promoted and maintained among elected councillors and co-opted members. This report was originated by the previous Head of Legal Services and Monitoring Officer, Nick Graham, and finalised by Steve Jorden as Interim Monitoring Officer.

Glenn Watson, Principal Governance Officer, responded to Members queries as follows:

- The report sets out the ethical and democratic arrangements and how activities have impinged on governance.
- The Council has strengthened its pool of independent persons to review complaints, and following a recruitment exercise, two appointments were made.
- Annex 1 shows the number and reason for closed sessions whereby the public are excluded from whole or part of a meeting, and this is recorded, along with the reasons thereof, to demonstrate transparency.
- The report includes the number and nature of complaints of breaches of the code and advised that these are mainly around the use of social media. This has already been addressed by this Committee and a working group established to look at best practice, the results of which will be forthcoming.

Councillor Nick Carter requested that for future reports, could a comparison of previous years closed sessions be presented in order to provide some context to this information. Steve Jorden agreed that this would be valuable information for both Councillors and the Monitoring Officer in order to determine any trends.

RESOLVED to consider and endorse the report.

43/20 COUNTER-FRAUD PLAN 2020/21

(Agenda No. 8)

Tessa Clayton, Audit Manager introduced the report which presents the Counter Fraud Strategy and Plan for 2020/21 and a summary of activity from 2019/20. The plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the

Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matter that do arise. Annex 1 contained the full 2019/20 plan agreed a year ago and an update on activity.

Tessa Clayton, Sarah Cox and Lorna Baxter responded to Members queries as follows:

- The joint working opportunities across OCC and CDC for counter-fraud is exploratory at this stage and would be focusing on council benefits and council tax reductions. An update will be provided to the November meeting along with any potential models.
- Regarding Adult Social Care actions in Appendix 1 of the Counter-Fraud Plan, reviewing whether improved mechanisms for referral and acceptance of financial abuse cases to the Police can be implemented, this is ongoing with no end date determined as we continue to build strong relationships with Thames Valley Police to discuss these cases which will take time to establish this year.
- Joint working with Oxford City Council will continue, however as this has been resourced internally with the secondment post from Trading Standards, will look at delivery going forward and come back in November with an update on joint working opportunities.
- Section 3 of Appendix 1 highlights the fraud risk mapping of blue badge and review of blue badge annual exercise performed with OIS to identify any areas for improvement is partially complete, and are looking to Portsmouth Council for areas of good practice and will be able to report back on this.

Dr Geoff Jones commented on the use of test purchases and asked if this could be carried out for blue badges? Tessa Clayton advised that this can be carried out for enforcement exercises. Councillor Nick Carter requested that Mark Peet, Customer Service Manager present an update to the Committee on blue badges. Sarah Cox agreed that it would be advantageous to work with Customer Services, to develop a proportionate approach to the risk on this.

RESOLVED to:

(a) Note the summary of activity from 2019/20.

(b) Comment and note the Counter Fraud Strategy and Plan for 2020/21.

44/20 INTERNAL AUDIT PLAN - PROGRESS REPORT

(Agenda No. 9)

Sarah Cox introduced the report which provides an update on the Internal Audit Service, including resources, completed and planned audit.

Sarah Cox informed Members that the SEND report, graded as red, has been reviewed by the Audit Working Group and is due to be presented at the February Committee meeting. Dr Geoff Jones commented that one concern raised by the Group was the number of action points dated for 31 December 2020 and had requested that these be reviewed, and a more realistic action plan be brought to the next update.

Councillor Nick Carter commented that although the IT Disaster Recovery Planning audit is amber, there are no priority one actions against this. Sarah Cox responded that a number of these actions have since become due and have been implemented, therefore are on track for implementation. It is unlikely that this item will come back to this Committee, however, will continue to be monitored by the team.

Councillor Nick Carter questioned if there would be any opportunities for an apprenticeship scheme for the post of Assistant Auditor currently outstanding? Sarah Cox informed the Committee that this is being investigated, however as internal audit is a new approach and the apprenticeship model is also quite new, further research is being carried.

RESOLVED to note the progress with the 20/21 Internal Audit Plan and the outcome of the completed audits.

45/20 ERNST & YOUNG - 2019/20 ANNUAL AUDIT LETTER

(Agenda No. 10)

Janet Dawson presented a verbal update to the Committee on the Oxfordshire County Council Draft Audit Report, highlighting the following:

- Delays due to COVID-19 had altered the national timescales, and the deadline for final auditing of the accounts is 30 November 2020.
- There is a national process taking place to determine the outcomes of the McCloud issues, these issues are around the audit process and not of the Council's making, however this will be concluded within the next couple of weeks.
- Our specialists are currently working with Carter Jonas with regards to the valuation of property and equipment, however due to markets moving again, there is less uncertainty for the Council.

Adrian Balmer gave a verbal update on the Oxfordshire Pension Fund 2020/21 advising that the audit is substantially complete, with no concerns raised over any aspects of the work. He further advised that the pension fund would report into the main audit, to be signed off at the November Committee meeting, and responded to Members queries as follows:

- The impact on our statement from the issues with McCloud are dependent on the accounting treatment and interpretation thereof. The expectation is that it is not material, but actuarial assessment is required for comparison with pension specialists. Other actuaries have identified no impact; however, those of the Council have to be considered.
- Comparable accounts are determined formally and informally as the going concern is a heightened risk to auditors. Internal consultation requirements ensure that all opinions are considered around the going concern and are required to be signed off.
- The pressures of local authority finance and is a useful tool we use as part of our conclusion and assessment and where it sits against comparable models.

46/20 AUDIT WORKING GROUP REPORT

(Agenda No. 11)

Sarah Cox presented the report which outlines the matters considered by the Audit Working Group meeting of 9 September 2020 and no comments or queries were received from Members.

RESOLVED to note the report.

47/20 EXEMPT ITEM

(Agenda No. 12)

RESOLVED: *that the public be excluded for the duration of item 13 (since it is likely that if they were present during that item there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified below in relation to that item and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information on the grounds set out in that item.*

A SUMMARY OF THE PROCEEDINGS FOLLOWING THE WITHDRAWAL OF THE PRESS AND PUBLIC IS GIVEN BELOW:

48/20 CARILLION UPDATE

(Agenda No. 13)

The information in this case is exempt in that it falls within the following prescribed categories:

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

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that a negotiation is ongoing and would prejudice the position of the authority in the process of that negotiation and the Council's standing generally in relation to such matters in future, to the detriment of the Council's ability properly to discharge its fiduciary and other duties as a public authority

Steve Jorden, Corporate Director of Commercial Development, Assets and Investment introduced the report which updated the Committee on the latest position and the agreed final settlement sum on all claims for this item.

George Eleftheriou, Director for Property, Investment and Facilities Management responded to Member's questions as follows:

- A settlement agreement has been reached and will be finalised in a couple of weeks.
- Funding has been allocated to rectify all outstanding contracts.
- 95% of the cases concern schools, and information on individual schools affected will be forwarded to Members.

Councillor Nick Carter commented that it is important for this Committee to be kept up to date with any outstanding issues as divisional Members. George Eleftheriou agreed that he would forward any other updates via this Committee.

49/20 WORK PROGRAMME

(Agenda No. 14)

The following changes/additions were agreed:

11 November 2020 – add Carillion update (information item only)

13 January 2020 – Cyber Security

..... in the Chair

Date of signing

Division(s):

Audit and Governance Committee 11 November 2020

OXFORDSHIRE FIRE AND RESCUE SERVICE STATEMENT OF ASSURANCE 2019/20

Report by the Chief Fire Officer

RECOMMENDATION

1. **The Audit & Governance committee is RECOMMENDED to approve the report in its entirety.**

Introduction

2. The Fire and Rescue National Framework for England (the Framework) sets out a requirement for fire and rescue authorities to provide an annual statement of assurance on financial, governance and operational matters and to show how they have due regard to the requirements of the Framework and the expectations set out in authorities' own integrated risk management plans.
3. To demonstrate this, the Framework requires that each authority must publish an annual statement of assurance. The Statement of Assurance 2019/20 document is intended to meet the obligation to produce this statement through reference to public webpages, existing reports and documents.
4. The report was prepared following the Department for Communities and Local Government guidance on statements of assurance for fire and rescue authorities in England. The structure of the report was based on guidance contained in Chief Fire Officers Association (CFOA) Circular 2013-10 appendix - draft table of contents statement of assurance.

Publication

5. The statement of assurance is intended to be published on the public website only, it is not intended to produce hard copy versions. The OCC Annual Governance Statement 2019/20 makes reference to the statement of assurance and provides a link to the web address.
6. The statement of assurance should be signed on behalf of Oxfordshire County Council by Councillor Judith Heathcoat, Cabinet Member with responsibility for the fire and rescue service.

ROB MACDOUGALL
Chief Fire Officer

Background papers: none

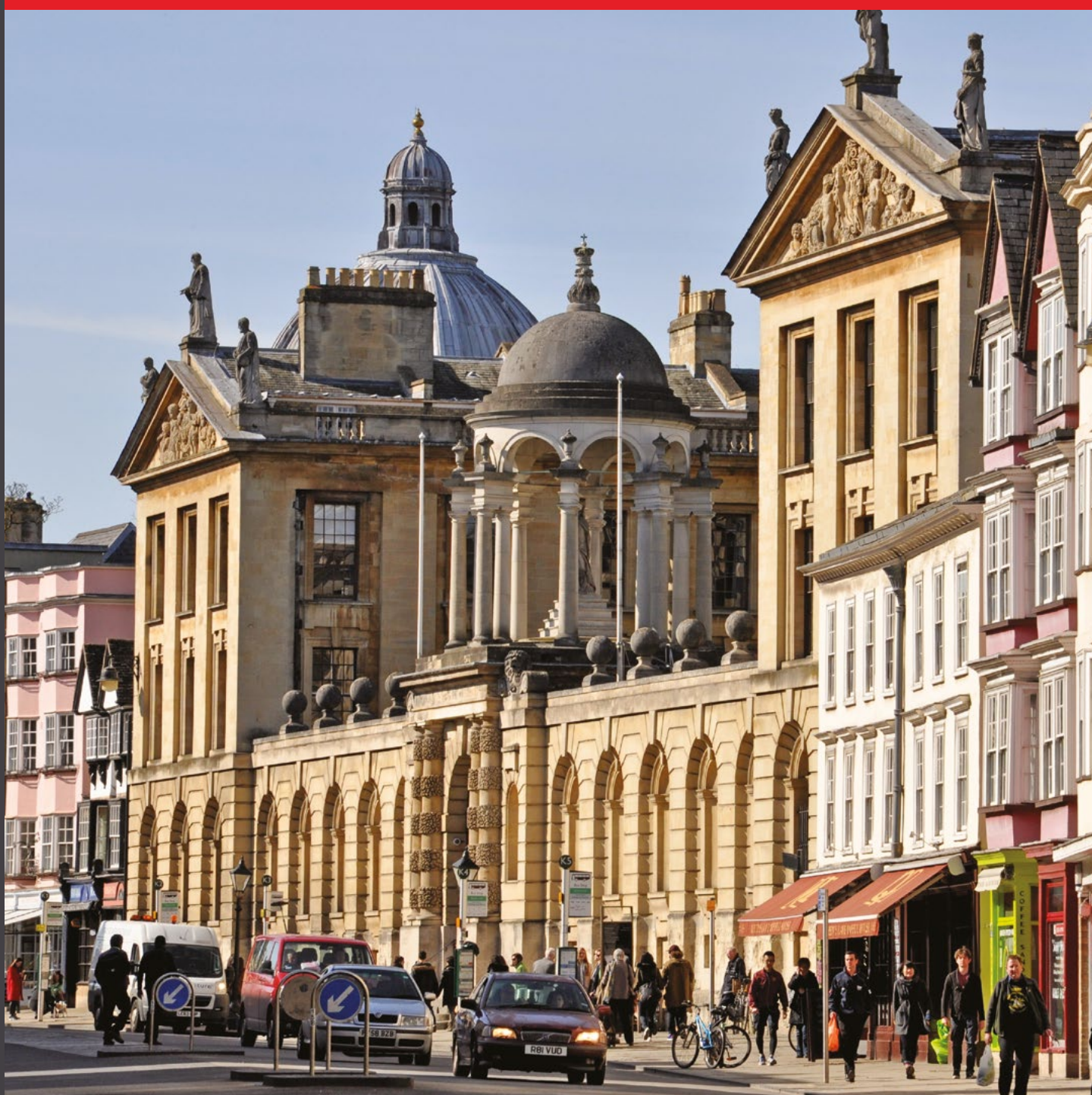
Contact Officer: Don Crook, Organisational Risk & Assurance Officer, Fire and Rescue Service don.crook@oxfordshire.gov.uk

Oxfordshire County Council
Fire & Rescue Service

Statement of Assurance 2019-2020



365alive.co.uk



OXFORDSHIRE
FIRE & RESCUE SERVICE

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OXFORDSHIRE
COUNTY COUNCIL

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WELCOME AND FOREWORD



**Councillor
Judith Heathcoat**

*Cabinet Member for
Community Safety
Services*



**Chief Fire Officer
Rob MacDougall**

*Director of Community
Safety Services*

Welcome to Oxfordshire Fire and Rescue Service's Statement of Assurance for 2019 to 2020. As the Cabinet Member and Director of Community Safety Services for Oxfordshire we are pleased to present this statement for our local communities setting out how we meet the requirements of The Fire and Rescue National Framework for England.

The National Framework requires us to provide an annual statement of assurance on our financial governance, operational matters, and to show how we have due regard to the risks in the county by our Community Risk Management Plan (CRMP). In 2017 we published our 5-year CRMP to meet the challenges of our communities over the period and each year an additional action plan is produced to address the developments within the fire sector. We ensure a proactive approach, which is focussed on preventative activities, and leads to a safer and thriving Oxfordshire.

Our fire and rescue service was inspected by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) in 2018. The inspection looked in detail at our operational service delivery, efficiency and organisational effectiveness and was the first time in many years that fire and rescue services in England have been inspected to the same standards, allowing a comparative indicator of how we are doing.

The inspectorate reported their findings to the service in the summer of 2019 and we were graded as 'Good' in all three areas of inspection.

We are working on an action plan we created based on their findings, which will support improvements in our prevention, protection, and response areas of the services.

Our Teams have worked hard in 2019-20 and we are extremely proud of what our teams have achieved during the year. Our values are at the heart of everything we do and, we will continue to do our best for our residents by working together in a supportive and honest way; striving to find the best solutions; and yet being open to change and doing things differently.

OVERVIEW OF FIRE & RESCUE SERVICE

Your fire and rescue authority

OCC is an upper tier local authority and as such is the fire authority for Oxfordshire represented by a full council with 63 members. All the key decisions are made by cabinet members with designated portfolios, meeting either jointly as the cabinet or as individual cabinet members, taking delegated decisions within their own area of responsibility.

Councillor Judith Heathcoat, Deputy Leader of the Council, is the portfolio holder for Community Safety and has responsibility for:

- Fire & Rescue
- Fire Control
- Trading Standards
- Emergency Planning
- Gypsy & Traveller
- Internal Management
- HR & Industrial Relations
- Policy Co-ordination
- Equalities
- Localities
- Community Cohesion

The performance of the fire and rescue service is overseen by the Council's Performance Scrutiny Committee and the Audit & Governance Committee. Cabinet meetings are held once a month and are attended by all cabinet members. The cabinet is also responsible for preparing the budget and policies to propose to the full council. The scrutiny committees provide advice to the cabinet on major policy issues and may review its decisions.

Details of how the community can attend meetings and access agendas and reports can be found at:

[Meetings and decisions web page](#)

OVERVIEW OF OUR STRUCTURE

OFRS is governed by the Strategic Leadership Team (SLT) whose full members are listed below. Full SLT meetings are held fortnightly to discuss specific issues. The Chief Fire Officer reports to the County Council Chief Executive and cross cutting work is carried out at the County Council Extended Leadership Team.

Strategic Leadership Team

- Chief Fire Officer – Rob MacDougall (Director of Community Safety)
- Deputy Chief Fire Officer – Grahame Mitchell
- Assistant Chief Fire Officer – Jo Bowcock
- Area Manager Operations & Resilience – Mike Adcock
- Area Manager Strategic Policy – David Heycock
- Area Manager Prevention & Protection – Jason Crapper
- Human Resources Business Partner – Kim Terry
- Finance Business Partner – Rob Finlayson

Our people

At the end of March 2020 there were a total of 228 whole-time firefighters, 351 On- Call and 86 support staff working for Oxfordshire County Council Fire and Rescue Service. They offer safety advice and education to the residents of Oxfordshire, advice, support and fire safety enforcement for the businesses of the county and respond to emergency calls.

Our resources

There are 25 fire stations in Oxfordshire, staffed by whole-time and on-call firefighters. We have a fleet of 34 fire engines, and several specialist vehicles to support large or complex incidents. These include an aerial ladder platform, and a specialist technical rescue vehicle that attends road traffic collisions and specialist rescues.

Other specialist vehicles are provided for incident support, incident command, bulk water supplies, environmental protection and firefighter decontamination. As part of a national response strategy we also have a specialist vehicle for detecting and identifying hazardous materials and a high-volume pumping unit.

We have a range of specialist officers that support the service for investigating fires, dealing with incidents involving hazardous materials, dealing with incidents of a terrorist nature as well as enforcing Fire safety legislation to keep the residents of Oxfordshire safe.

CHIEF FIRE OFFICER'S STATEMENT ON EQUALITY AND DIVERSITY

As a Fire and Rescue Service and as part of Oxfordshire County Council we aim to be leaders in our field providing: inclusive services, workplaces and communities; ensuring equitable access to services; and equality of opportunity.

We are an inclusive workplace; We value the contribution that everyone in our organisation makes and respect individual differences, seeing the diversity of our workforce as key to our success. We will eliminate unlawful discrimination, harassment and victimisation and other unacceptable conduct.

We will promote equality of opportunity and promote good relations between everyone with respect to their disability, sex, race, religion or belief, sexual orientation, transgender status or gender reassignment, age, marital status and pregnancy or maternity.

We will develop and provide relevant, appropriate and accessible services that meet the needs of our diverse community. We will eliminate discrimination and promote equality in the provision of these services.

Director of Community Safety and Chief Fire Officer - Rob MacDougall

[Equality and inclusion case studies](#)

WHAT IS A STATEMENT OF ASSURANCE?

The Fire and Rescue National Framework for England 2018 (the Framework) sets out the requirement for all fire and rescue authorities to provide annual assurance on financial, governance and operational matters and to show how they have due regard to the requirements included in the Framework and the expectations set out in the authorities' own risk management plans (CRMP). To demonstrate this, the Framework requires that each authority must publish an annual statement of assurance.

This statement of assurance outlines the way in which the fire authority and its fire and rescue service, has due regard to the National Framework, the Community Risk Management Plan and to any other relevant strategic plan prepared by the authority for that period.

1. Risk Management

The Fire and Rescue National Framework for England (the Framework) requires us to have due regard for the management of risk within the county. This is achieved by the production of an Integrated Risk Management Plan (IRMP), known in Oxfordshire as the Community Risk Management Plan (CRMP), that identifies, assesses and addresses foreseeable fire and rescue related risk that could affect its community, including those of a cross border, multi authority and / or national nature.

The CRMP is Oxfordshire County Council Fire and Rescue Service's (OFRS) analysis of the county's community risk profile, together with our five-year strategic approach detailing how we intend to effectively manage those risks.

Each year we create an annual action plan to support our CRMP, where we set out the actions we intend to deliver to support the five-year plan.

The action plan sets out several priorities and projects to ensure that residents and businesses are safer, whilst at the same time delivering an efficient and effective emergency response when necessary.

[CRMP Action Plan 2020 – 2021](#)

OFRS also has a risk management strategy that follows the principles of the Office of Government Commerce's Management of Risk Framework. All members of staff work to identify any threats and opportunities to the service and our communities on an ongoing basis. Once a risk has been identified we decide how we want to deal with it, and then monitor it closely. Risk registers are maintained for strategic and operational risk.

Social risk

Oxfordshire's population is estimated to be 685,000 and in 2017 the county secured a housing and growth deal which will see 100,000 new homes built by 2031. The county's cumulative growth has been higher than any other local area with the population increasing by 78,000 people since 2002 and an expected population of around 781,000 by 2023.

The county is the most rural in the South East region, the majority (60%) of Oxfordshire's residents are concentrated in Oxford City and the county's main towns, with almost 40% of people living in smaller towns and villages.

As of January 2018, just over a quarter of primary school pupils and around 1 in 5 secondary school pupils were from an ethnic minority background.

People in Oxfordshire are living longer. In 2017, older people aged 65+ made up 20% of the estimated population of Oxfordshire's four rural districts, compared with 12% of the population of Oxford City. The population aged 85+ is expected to increase by 63% (+10,900) by 2032 and historical data shows that older people are at a greater risk from suffering serious injuries or death from accidental fires.

There are clear inequalities across Oxfordshire, with people in the more deprived areas having significantly lower Life Expectancy compared with the less deprived.

The gap in Life Expectancy between more deprived and less deprived areas in Oxfordshire appears to have increased.

Our Home and Community Safety team, through partnership working, will continue to target the people most at risk through safe and well checks and education. To further develop our intelligence led approach we will use technology to identify both localities and individuals that would benefit from timely prevention activities.

Oxfordshire adopted the national Safe and Well programme in 2017 as a key part of its prevention strategy. This approach extends the range of vulnerabilities that are assessed as part of a wider visit supporting residents to live in their homes with confidence independently. These visits go far beyond the previous home fire safety checks and address the wider risk in the home and aim to influence better lifestyle choices amongst recipients for example assessing risk of slips trips and falls, fuel poverty as well as alcohol use and smoking cessation.

Economic risk

On 31st January 2020, the UK has now seen its exit from the European Union. As yet the impact of this is still evolving.

As a Fire and Rescue Service we must be prepared for any impact this may have on both the economic and societal risks to the county.

We have carried out Business Impact Assessments to ensure that any potential impact does not disrupt the critical service to the county.

Unemployment in Oxfordshire remains significantly below the average for England. The county is a global seat of education, learning and research, a centre of engineering and scientific excellence, a world leader in automotive and advanced manufacturing, publishing, health care and life sciences, and an iconic tourist destination.

This includes many nationally and internationally recognised businesses such as, BMW Mini, Oxford Instruments, the Williams and Renault Formula One Teams, the city's two universities and many important military establishments. Our operational and fire protection teams work with businesses to plan for emergencies and carry out fire protection enforcement and advice.

Risks beyond our borders

Over the border mutual aid arrangements

The Fire & Rescue Services Act 2004 makes provision for securing mutual assistance with other Fire & Rescue services (FRS's) under sections 13 and 16 for the purpose of discharging the functions of an FRS on any of the authorities within the scheme. OFRS have agreements with all FRS's that border the county of Oxfordshire who are Berkshire, Buckinghamshire & Milton Keynes, Gloucestershire, Northamptonshire, Warwickshire and Dorset & Wiltshire Fire and Rescue Authorities for the provision of resources such as fire engines and specialist assets.

Oxfordshire is part of the national arrangements through the National Coordination and Advisory Framework (NCAF) to support major incidents across England and Wales such as widespread flooding and high-volume pumping, Urban search and rescue, hazardous material chemical analysis, mass decontamination, command and control or terrorist activity, by provision of specialist assets and additional resources that can be mobilised to deal with these events.

As new emerging risks present themselves to the service with such events as the London and Manchester terrorist attacks, the Thames Valley fire and rescue services have created a team of specialist officers who will respond to such incidents to support the Police and Ambulance service in the event of a marauding terrorist attack with the ability to work within the warm zone at these incidents.

The service exercises regularly with other FRS's in the Thames Valley as well as other emergency services to ensure cohesion when attending real incidents. This year saw a week-long exercise in the Thames Valley testing national resilience and response to a terrorist attack involving a train. Oxfordshire FRS worked alongside Thames Valley Police, South Central Ambulance Service, the Military and other FRS's during this exercise.

2. Strategic Plans

The County Council is committed to ensuring that we have Thriving Communities, Residents and Businesses and the fire and rescue service plans and strategies work towards achieving these aims. We are planning to transform all our services to modernise them to meet the future needs of the county. Below outlines the County Council and the FRS's plans and how they are inherently linked.



We strive to give every child a good start in life, and protect everyone from abuse and neglect

We enable older and disabled people to live independently. We care for those in greatest need



We help people live safe, healthy lives and play an active part in their community

We provide services that enhance the quality of life in our communities, and protect the local environment



We support a thriving local economy by improving transport links to create jobs and homes for the future

Our operational strategies are based on the delivery of our prevention, protection and operational response functions. These are supported by the organisational development strategy, the asset management strategy and the financial plan.

Our key strategic documents are shown in the following diagram:



3. Governance

OFRS is an integral part of Oxfordshire County Council (OCC), who are responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

OCC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

OCC has approved and adopted a code of corporate governance that is consistent with the principles of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

The OCC Annual Governance Statement enables the fire and rescue service to demonstrate that it has fulfilled its obligations under the Framework. Full details can be found in the OCC Annual Governance Statement, which is included in our 'Statement of Accounts' publication at the end of the document.

Annual accounts and audit

General arrangements for ensuring effectiveness of the system of Internal Control is governed by the Corporate Governance Framework, which sets out the Council's approach to corporate governance.

Corporate Governance Assurance Framework

The OCC Monitoring Officer has a statutory responsibility for ensuring the Council complies with its legal requirements and conducts its business properly. This is achieved through the following:

- Corporate Governance Assurance Group (CGAG): Co-ordinates preparation of the Annual Governance Statement and, therefore, receives corporate lead assessments as well as identification of areas of improvement on the internal control environment.
- Corporate Governance Policies: The Monitoring Officer has delegated authority to approve and amend operational policies and procedures relating to corporate governance, if necessary, in consultation with the Leader and Deputy Leader of the Council.
- CEDR: Provides the strategic oversight of the work of the Council and reviews the work of Cabinet by scrutinising the Forward Plan and raising any issues of concern. The Monitoring Officer sits as a designated Officer on CEDR to advise and assist in relation to policies and strategies in compliance with legal requirements.
- Audit Working Group and Audit & Governance Committee: The Monitoring Officer reports to this Committee with regards to compliance of corporate governance policies, including Members register of interests.

Our legal responsibilities

Responsibilities under the Fire and Rescue Services Act 2004

The Fire and Rescue Services Act 2004 sets out the duties and powers of fire and rescue authorities. Under the Act, the Fire Authority has many core functions:

- Fire safety: Promoting fire safety, including the provision of information and publicity on steps to be taken to prevent fires. Giving of advice on how to prevent fires and on the means of escape from buildings in case of fire.
- Firefighting: Extinguishing fires and protecting life and property in the event of fires.
- To respond to and rescue people from road traffic collisions (RTCs) and protecting people from serious harm in the event of RTCs.
- Emergencies: When necessary deal with emergencies other than fires and road traffic accidents.

We address these core functions in the CRMP, which identifies and assesses foreseeable fire and rescue related risks that could affect our community. Action plans are produced based on the CRMP setting out many priorities.

[The Fire and Rescue Service Act 2004](#)

[Community Risk Management Plans and Action Plans](#)

Responsibilities under the Road Traffic Act 1988 section 39

Oxfordshire County Council as the local authority has a statutory responsibility under section 39 of the Road Traffic Act 1988 for road safety engineering, education, training and publicity (ETP) that are discharged through both the Environment and Economy and OFRS. Full details of how we discharged our responsibilities to provide road safety information, advice and training under the Road Traffic Act 1988 can be found at:

[Road safety web page](#)

Responsibilities under the Civil Contingencies Act 2004

The Civil Contingencies Act 2004 (CCA) places certain duties on all Category 1 Responders as defined by the Act, including OFRS. One of these duties is the formation of the Thames Valley Local Resilience Forum (TVLRF).

The Act requires Category 1 Responders to maintain the plans for preventing emergencies; reducing, controlling or mitigating the effects of emergencies; and taking other action in the event of emergencies and provide advice and assistance to businesses and voluntary organisations regarding business continuity management.

These plans are drawn from risk assessments and have regard for the arrangements to warn, inform and advise the public at the time of an emergency. The Emergency Planning Unit, which is part of OFRS, has overall responsibility and is key to helping the council meet these duties.

[Civil Contingencies Act 2004](#)

[Thames Valley Local Resilience Forum website](#)

Responsibilities under the Fire and Rescue Services (Emergencies) (England) Order 2007

The Fire & Rescue Services (Emergencies) (England) Order 2007 instructs fire authorities to make provision for:

- Decontamination of people and to limit harm to the environment at chemical, biological, radiological or nuclear emergencies.
- The rescue of people at emergencies involving collapse of building, structures, incidents involving trains, trams or aircraft, and where resources are required beyond the scope of day to day operations.
- Personnel, services and training and arrangements to carry out the above functions.
- Response to emergencies outside the fire authorities' area. We make provision for these requirements through operational planning and procedures as part of our involvement with the National Resilience Programme.

National Fire Chief Council is the organisation that provides assurance to the Home Office that the National Resilience Capabilities (NRC) generated can meet the new threats to national stability. NRC provides operational assurance at the strategic level.

[The Fire & Rescue Services \(Emergencies\) \(England\) Order](#)
[National Fire Chiefs Council](#)

Responsibilities under the Regulatory Reform (Fire Safety) Order 2005

OFRS enforces general fire safety legislation on behalf of the county council. Other related legislation the authority enforces includes:

- The Dangerous Substances (Notification & Marking of Sites) Regulations 1990.
- The Health and Safety (Safety Signs and Signals) Regulations 1996.
- The Construction (Design and Management) Regulations 2015.

Our enforcement activities adhere to the principles of 'better regulation' contained in the Enforcement Concordat and Regulators Compliance Code and we aim to support business and other responsible persons through education and the provision of advice and guidance. Where it is necessary, we will take enforcement action and will only consider prosecution where it is in the public's best interest.

Full details of how we discharge our responsibilities under fire safety legislation can be found at:

[Fire safety advice for businesses web page](#)

Responsibilities under the Health & Safety at Work etc. Act 1974 and the Management of Health & Safety at Work Regulations 1999

OFRS operates within the county council's management framework which incorporates the provisions of the Health & Safety at Work etc. Act 1974, the Management of Health & Safety at Work Regulations 1999 and the responsibility to provide, so far as is reasonably practicable, a safe and healthy working environment for all employees.

Our health and safety policy documents explain how we discharge our responsibilities under health and safety legislation.

[Fire and Rescue Service Health and Safety Policy Part 2](#)

[Fire and Rescue Service Health and Safety Policy Part 3](#)

Responsibilities under the Localism Act 2011

The Localism Act 2011 gives fire authorities powers of competence to:

- Carry out its functions so that it will be able to do anything they consider appropriate for purposes linked to their statutory responsibilities to help deliver innovative and more personalised services to their communities.
- Make charges for certain services. These powers enable both councils and fire and rescue authorities to act innovatively to generate efficiencies and secure value for money outcomes.

Full details of the of the Localism Act 2011 and community right to challenge and right to bid for community assets can be found at:

[Community Rights and Localism Act web page](#)

The Fire and Rescue Service National Framework

The current Fire and Rescue National Framework for England sets out the government's priorities and objectives for fire and rescue authorities in England to:

- Identify and assess the full range of foreseeable fire and rescue related risks their areas face, make provision for prevention and protection activities and respond to incidents appropriately.
- Work in partnership with their communities and a wide range of partners locally and nationally to deliver their service.
- Be accountable to communities for the service they provide.

A gap analysis is currently underway to ensure that OFRS met the requirements of the framework document and an action plan has been completed.

[National Framework Document 2018](#)

Our collaborative arrangements

Thames Valley Fire Control Service (TVFCS) officially opened in 2015 and brought together, under collaborative arrangements, the 3 control rooms from the fire & rescue services within Thames Valley. TVFCS continues to handle and manage the mobilisation of resources to incidents in Oxfordshire, Berkshire and Buckinghamshire areas.

Memorandums of Understanding (MOU's) for support exist with other agencies such as Thames Valley Police, South Central Ambulance Service and the Defence Fire and Rescue Service, alongside MOU's with the voluntary sector including The British Red Cross and Oxfordshire Lowland Search & Rescue.

Oxfordshire Fire and Rescue have further strengthened our collaboration with a wider group of Fire and Rescue Services, going beyond the excellent outcomes we have already achieved jointly working with our colleagues in Thames Valley. We have agreed to work with Warwickshire and Gloucestershire (sharing the same governance model) to deliver joint procurement and share best practice.

One example this year is the joint procurement of 'public use' Smoke hoods for our Highrise risks to close out one element of the Grenfell action plan and have jointly agreed a single training package and supporting documents, reducing duplication.

4. Operations

How we performed during 2019-20

A description of the fire authority's key performance indicators and targets against which the service is measured, can be found in OFRS Annual Report. This report reviews our performance over the last financial year and shows the headline statistics and trends in incidents and emergencies that we have attended.

This allows us to recognise areas where we have done well, identify where we can improve our service and trends in specific incidents and emergency types. It helps us decide where to focus our efforts and resources to reduce threats and explore opportunities. The report contributes to our future planning and is essential to our process of integrated risk management.

[Annual performance report](#)

Response standards performance

Since April 2005 OFRS has had local response standards for attending emergency incidents in the county. The Chief Fire Officer is required to report annually on the fire and rescue service's performance against these standards and bring forward any recommendations as appropriate. Our response targets remain stretched, yet in 2018-19 we achieved our targets.

Local response standards are:

- 80 per cent of all emergency incidents will be responded to within 11 minutes.
- 95 per cent of all emergency incidents will be responded to within 14 minutes.

The above is measured by the time it takes to get the first fire appliance to the scene from the time at which the fire station is first alerted.

2019-20 Response Standards Performance

Response standards performance	Total emergency incidents in scope	Incidents responded to <11mins	per cent response standards <11mins	Incidents responded to <14mins	per cent response standards <14mins
19-20	4985	4500	90.27	4846	97.21

Benchmarking

We use national benchmarking reports and tools. We are also part of a National Fire Chiefs Council (NFCC) family group to facilitate benchmarking against fire and rescue services of similar size and demographics and to promote best practice. The Fire Statistics Monitor publication provides headline figures on fire, false alarm and special service incidents in England.

[Fire Statistics data tables](#)

Lessons learnt from incidents

We demonstrate our commitment to high performance and making improvements to our operational response by conducting active monitoring of all operational incidents and area training exercises.

Our audits highlight areas of good practice, identify trends and any required training or procedural improvements. This evidence base is used to review and update training across the service.

The results of operational audits are published on the service intranet for access by all personnel.

Incidents and exercises of note:

- **Acid Attack, Oxford** – Due to the use of a hazardous material, fire crews are mobilised to incidents involving an acid attack in order to provide specialist assistance in dealing with the chemical. Following an acid attack attended by fire crews in Oxford, all frontline appliances now carry a new specific water application device to dilute and reduce the impact of acid burns on the victims of attacks.
- **Grenfell Tower fire** – following the tragic fire in London, a review was conducted of the Highrise building evacuation risk in Oxfordshire. Breathing Apparatus teams in the county now carry ‘Fire Escape Hoods’ which are used in an emergency and given to members of public who are unable to escape buildings due to the presence of smoke or fire generated harmful gases, or for those who will be exposed to smoke or fire generated gases during the course of being rescued or evacuated.

Departmental reports

Emergency Response

Within Emergency Response we carry out many different functions to ensure that OFRS's operational response is the best that we can provide to the communities within Oxfordshire and beyond. We are always working to improve and some of these workstreams including –

- Working with our fire & rescue service colleagues in the Thames Valley to align our response to incidents and ensure that we provide the same equipment, training and standards to every incident. This includes working to adopt national operational guidance, obtain the same breathing apparatus sets, use the same procedures to use breathing apparatus, use the same equipment/training/procedures when working at height and many other aspects that will allow seamless working across the country borders within the Thames Valley.
- To update our fleet of vehicles, equipment. Also, linking this in to the work of alignment between the three fire and rescue services in the Thames Valley.
- The introduction of new technology to ensure that incident commanders can access up to date data concerning an incident (this can include details of the building, operational guidance, mapping, hazardous materials information etc).
- Refreshing and updating agreements we have with surrounding services and partner agencies.
- That we learn from incidents, training, safety incidents and exercises and ensure that we improve in light of this learning and share good practices and learning points locally and nationally.
- We inform the community and local politicians about incidents that we are attending.
- We investigate fires to try and reduce their numbers and assist the Police to reduce arson.
- We work with the Local Resilience Forum to assess the risks facing the Thames Valley and provide plans, training, exercises and public information to mitigate those risks.
- We provide support for national resilience to emergencies in the form of our -
 - High-Volume Pumping unit, where large amounts of water needs to be moved to either protect from flooding or to assist with firefighting.
 - Detection Identification and Monitoring vehicle, where hazardous materials are involved in an incident and advice is sought as to what it is, how it should be dealt with and how to protect people, the environment and personnel.

Over the coming years we will be working to –

- Update our fire kit to ensure that it provides the best protection for our crews.
- Update our breathing apparatus sets.
- Look to assess and adopt modern technologies to enhance our operational response and safety of our crews.

Training and Development

Our Training Centre continues to provide collaborative training opportunities via our firefighter initial course, which teaches an aligned course for both Royal Berkshire Fire and Rescue Service and OFRS personnel at our Training Centre in Didcot.

Our Incident Command centre now provides bespoke Level 1 and Level 2 initial command courses for new incident commanders, alongside multi-agency training and assessment for all levels. A new, remote training solution has also been introduced that allows our incident command team to provide training to on-call stations throughout the county in evenings.

Our Driving Centre continues to work collaboratively with Buckinghamshire FRS and now provides training on electric vehicles and “Eco” driving alongside traditional courses and assessments. The centre also provides courses for external agencies and other FRS.

A new Maintenance of Competency framework is set to be rolled out to the service in April 2020, representing the completion of a large-scale project. This framework aligns to National Operational Guidance and will provide innovative, aligned and achievable training packages and lesson plans. This aims to ensure a greater objective standard of training is maintained for all operational personnel within the service.

Fire protection

Fire Protection was rated as “Good” by HMICFRS. We are now up to full establishment within the team after successful recruitment to vacancies. A high number of staff are on the path to becoming competent which reduces our capacity while they acquire the knowledge and competent staff support and mentor them through their development. The HMICFRS found that “... Oxfordshire FRS uses its enforcement powers proportionately and effectively.”

We are working collaboratively across the Thames Valley to address the issue of Unwanted Fire Signals. Our Risk Based Inspection Programme of commercial buildings has been reviewed and updated and we are up to date with the dates for the completion of the re-inspections.

The Grenfell Inquiry issued an interim report and we have taken actions to ensure that those issues are dealt with in Oxfordshire.

Fire prevention

Over the course of 2019-20 we have been reviewing all of our prevention activities to ensure that we are delivering the most effective and efficient prevention service to the communities of Oxfordshire and have developed an evaluation framework for three of our prevention programmes which will be implemented in 2020/21.

Our evaluation work will build on the learning from work with the Princes Trust which has led to the piloting of a week-long 'Get Started' programme for some of the county's most vulnerable 16-25 year olds.

We have completed a review of our approach to safeguarding which included being the first service to participate in the new Supportive Learning Visit process set up by the Oxfordshire Safeguarding Adults Board.

We have developed a new digital solution, on-line application for our staff and crews to deliver Safe and Well visits in people's homes and have improved the quality of our advice to residents through our partnership with Public Health, enabling us to embed the Making Every Contact Count (MECC) concept into our visits. We have continued to engage over 3,600 vulnerable people with Safe and Well whilst delivering service improvement.

We continue to deliver our broad range of prevention activities that educate children and young people to lead safer lives, including the collaborative Junior Citizens programme which, along with our partners, delivers safety education to over 4500 school children across the county every year.

The service has also been very successful in delivering more cycle training in schools through the Bikeability grant from the Department for Transport. In 2017-18 we trained around 2,500 school children to ride their bike more safely and this has increased to around 5,000 this year, meaning that there has been a significant increase in the number of children who feel safer cycling on Oxfordshire's roads. We are now offer cycle training in 243 schools across Oxfordshire which equates to 83%, compared with less than 40% of schools two years ago.

All of this prevention work supports our ambition to provide targeted support to those who are most at risk in their homes and communities. To this end, we have developed a methodology to help us better identify those most at risk, whilst continuing to provide universal community safety information and advice for all.

5. Finance

Where our money came from

Our budget for 2018-19

OFRS are an integral part of OCC who provide the statement of accounts and audit that can be found on the OCC public website:

[Annual accounts and audit](#)

What your money was spent on

Revenue expenditure

The total net expenditure for Oxfordshire Fire and Rescue Service for 2018-19 was £25.9m.

Expenditure per head of population¹

The cost of providing the fire and rescue service in 2018/19 was approximately 10p per day for each person within Oxfordshire.

The cost per head of population for 2018-19 was £37.69 compared to the average cost of:

- South east region fire and rescue services: £38.34
- Average family group: £39.42
- County council fire and rescue services: £35.72

Expenditure per member of staff

We provided a service at a cost of £50,703 per member of staff in 2018-19 compared to the average cost of:

- South east region fire and rescue services – £52,498
- Average family group – £52,754
- County council fire and rescue services – £46,719

[Pay Policy Statement](#)

Expenditure per incident

Our overall expenditure against the number of incidents we attend is £4,230 per incident in 2018-19 compared to the average of:

- South east region fire and rescue services – £3,864.
- Average family group – £4,274
- County council fire and rescue services – £3,985

How we provide value for money

OCC Corporate Plan 2018 to 2021 sets out the key objectives and priorities for action for the council. It is a key document and sets out the broad strategic direction, as well as the council's values and principles that guide all our work.

We have an absolute focus on ensuring services are efficient and delivering value for money for local people.

[The OCC Corporate Plan](#)

Auditors findings

A summary of auditors' reports and findings can be found in the Annual Audit Letter 2018-19 on the link below. The Accounts and Audit Regulations require local authorities, including fire and rescue authorities, to prepare an annual governance statement in support of the annual statement of accounts. Full details can be found in the OCC Annual Governance Statement, which is included in our 'Statement of Accounts' publication at the end of the document.

[Annual accounts and audit](#)

Audits

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS)

In 2018 Oxfordshire County Council Fire and Rescue Service were inspected by the HMICFRS with the report released in 2019.

The assessment examines the service's effectiveness, efficiency and how well it looks after its people. It is designed to give the public information about how their local fire and rescue service is performing in several important areas, in a way that is comparable with other services across England, providing one of 4 grades:

- Outstanding
- Good
- Requires improvement
- Inadequate

OFRS has been judged to be good in all three areas of the inspection:

Effectiveness

The extent to which the service is effective at keeping people safe and secure from fire and other risks is good.

Efficiency

The extent to which the service is efficient at keeping people safe and secure from fire and other risks is good.

People

The extent to which the service looks after its people is good.

[Read the full report online](#)

Strategic Risk and Assurance Team

The Strategic Risk and Assurance Team ensures consistently high performance throughout the organisation in several ways, including by conducting quality assurance audits.

Since the inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) in 2018, the strategic risk & assurance team have been working with and supporting all areas of the service on an action plan to build on the solid foundation it has achieved and continue to drive towards an outstanding service. Planning is now in place for the HMICFRS's return in 2020.

The team has also conducted reviews of the county's Emergency Planning team and personnel that lone work to ensure legislative requirements as well as personal safety is maintained. These reviews have led to action plan's being created to address the report's findings.

Customer Service Excellence Award

The government wants public services for all that are efficient, effective, excellent, equitable and empowering with the citizen always at the heart of service provision. Customer Service Excellence was developed to offer services a practical tool for driving customer focused change within their organisation.

The strategic risk & assurance team have continued to work with SGS with our annual reassessment having taken place in March 2019. Following the assessment, Oxfordshire Fire and Rescue Service, were found to have a deep understanding of, and commitment to, Customer Service Excellence. The commitment was displayed from Senior Management levels through to operations and front-line staff.

[Customer Service Excellence Report](#)

How we secure business continuity

Business continuity management is a series of processes and plans that identify risk and develop OFRS resilience to ensure that adverse events cause minimal disruption to all services provided and that critical services are maintained. Plans have been developed for all sites and critical functional departments, and these plans have been tested and exercised to ensure a minimum level of disruption occurs.

The Chief Fire Officer, Rob MacDougall is the Corporate Lead on Business Continuity for Oxfordshire County Council. This involves leading and supporting the development of the whole Council's organisational resilience and business continuity to ensure that the council can maintain its essential services during any major disruptions. The Council's Emergency Planning team also provides advice and guidance on business continuity to local businesses as part of their responsibility under the Civil Contingencies Act.

Our future plans

Our CRMP has formed part of our approach to mitigate risk within Oxfordshire through prevention, protection and intervention strategies.

The following projects will be included within the fire authority's CRMP for the fiscal year 2020/21:

- **Project 1 – Risk profiling local communities**
- **Project 2 – Prevention Review**
- **Project 3 – On-Call retention review**
- **Project 4 – Proactive Role in improving standards in rented housing**
- **Project 5 – Establishing Community Safety Advocates or Wardens**
- **Project 6 – To increase the diversity of the Operational Workforce to reflect the community that we serve.**

[Community Risk Management Plan and Annual Action Plans](#)

Our community engagement

The CRMP Action Plan 2020-21 provides an update on the 6 on-going projects for the forthcoming year to improve public safety, reduce the number of emergency incidents and save lives.

The 6 projects held in the above plan were first presented in the CRMP action plan 2019/20 and was consulted on from the 8th November 2018 to 1st February 2019.

The Consultation Responses Report can be found at:

[Consultation Responses Report](#)

Comments and compliments

The fire and rescue service are passionate about delivering top quality customer service. Delivering excellent customer service that benefits us as individuals, our organisation and our customers. We also know that we need to continually adjust and improve our levels of customer service because we need to meet the changing needs and expectations of our customers.

If you have any comments, compliments, complaints or suggestions, please contact us using whichever of the following methods is most convenient to you:

Telephone: **01865 815906**

Email: **complaints@oxfordshire.gov.uk**

Online: **www.oxfordshire.gov.uk/complaints**

Post: write to:

Complaints Team
First floor County Hall
Oxford
OX1 1ND

Comprehensive information is available in the following links:

[Fire and rescue service comments, compliments and complaints](#)

How you can become involved

To make a request for a free Safe and Well check, call the community Safety Helpline free on 08000 325999 or visit 365alive.co.uk and complete our quick on-line questionnaire.



For fire and road safety advice, visit www.365alive.co.uk

Follow us on Twitter at [@OxonFireRescue](https://twitter.com/OxonFireRescue) or on Facebook at [Oxfordshirefireandrescueservice\(official\)](https://www.facebook.com/Oxfordshirefireandrescueservice(official)).

Access to information

Details regarding the fire authority's arrangements in respect of access to data and information can be found on the council's access to data and information web page.



Provision Cycle Update

Update to Audit & Governance
Committee 11 November 2020



Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE



**OXFORDSHIRE
COUNTY COUNCIL**



What is Provision Cycle?

- Revolutionising how procurement, commissioning and contract management is carried out across the organization
- Will substantially improve how goods and services are commissioned and procured, and how suppliers are managed through better commercial capability, a more strategic approach to spend management and better-informed decision making
- A way of ensuring best practices exist across the organization, avoiding siloed practices, and eliminating duplications
- Provision Cycle will ensure that the best people are delivering for the organization, in a way that the organization needs
- A substantial investment by the organization, and will lead to a sector-leading model designed to support these activities



Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE



**OXFORDSHIRE
COUNTY COUNCIL**



Provision Cycle Structure

- A robust structure which will ensure a sector-leading capability in the areas of commissioning, procurement and contract management
- Category-led structure, designed to ensure first class levels of knowledge and expertise in each category
- Hub structure follows



Cherwell

DISTRICT COUNCIL
NORTH OXFORDSHIRE

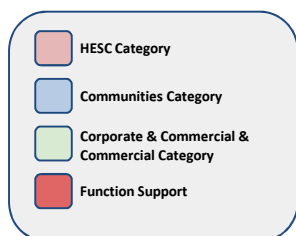


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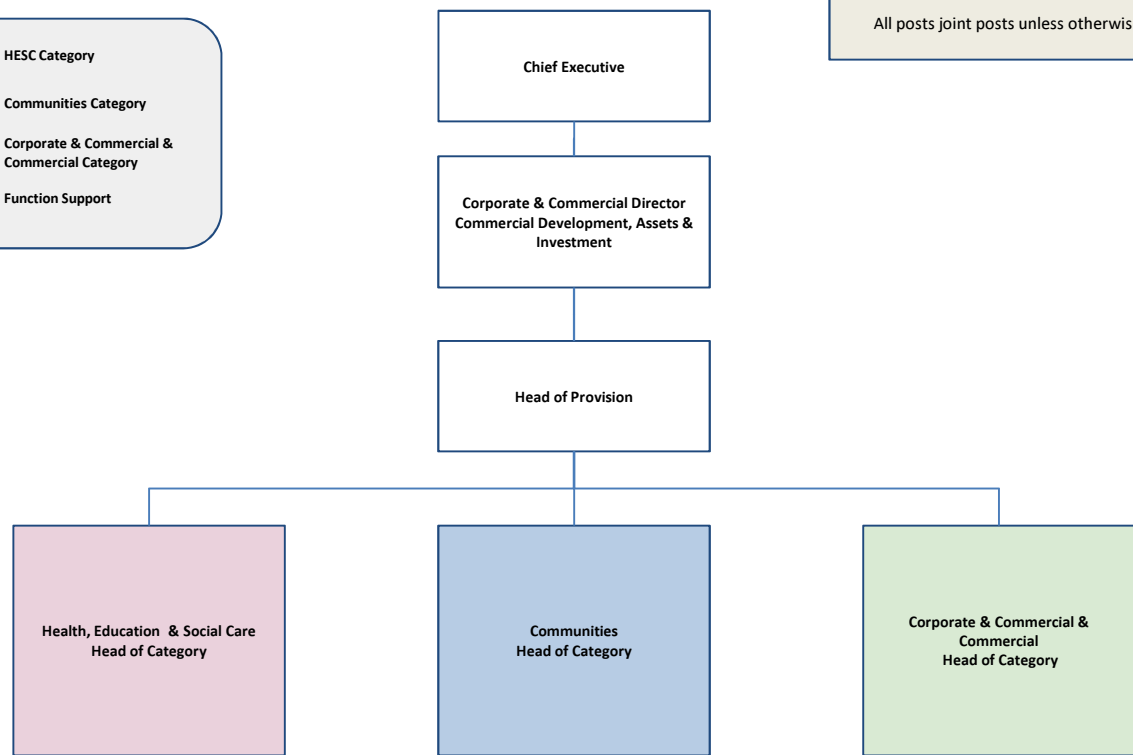


Structure (1/4)

Procurement and Contract Management Hub Leadership



All posts joint posts unless otherwise stated



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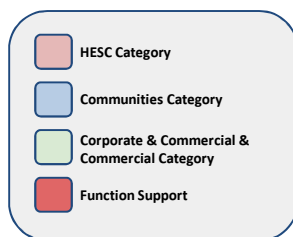


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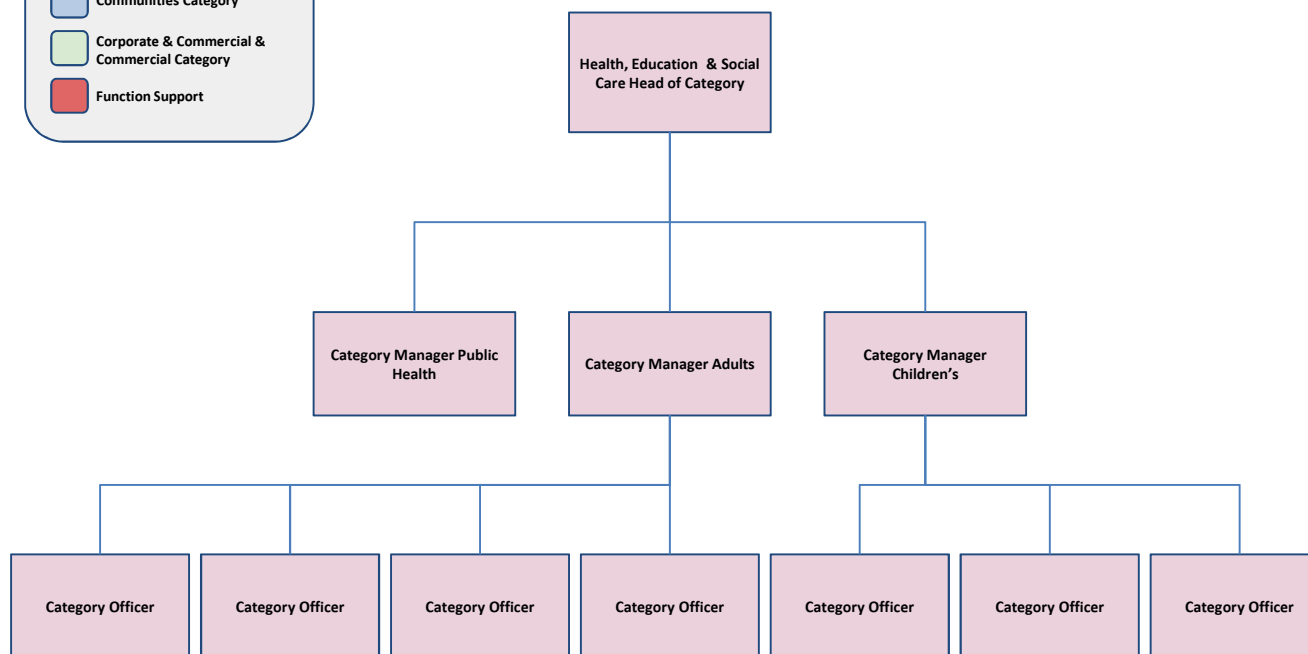


Structure (2/4)

Health, Education & Social Care Category



All posts joint posts unless otherwise stated



* Category Manager for Public Health will not have line management responsibilities.



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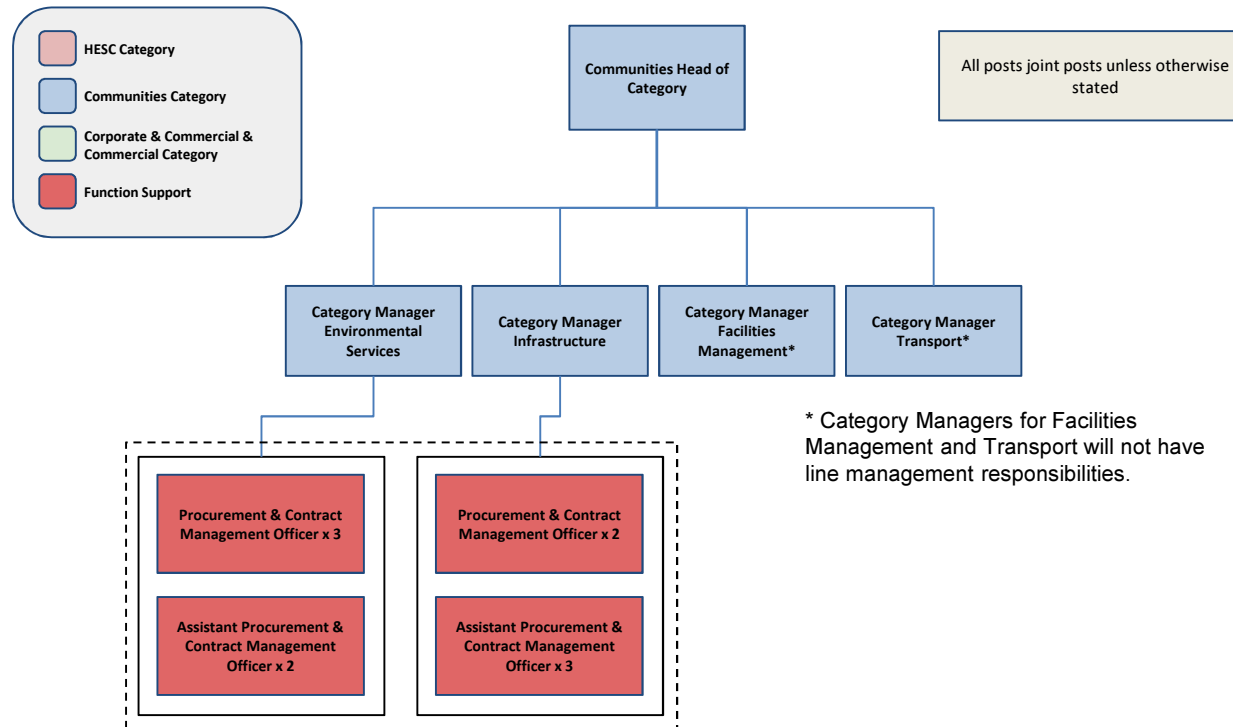


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Structure (3/4)

Communities Category



Dotted line reflects that Procurement & Contract Management Officers / Assistant Procurement & Contract Management Officers will operate as a flexible pool of resource across the whole Procurement and Contract Management Hub. Solid line reflects line management arrangements.



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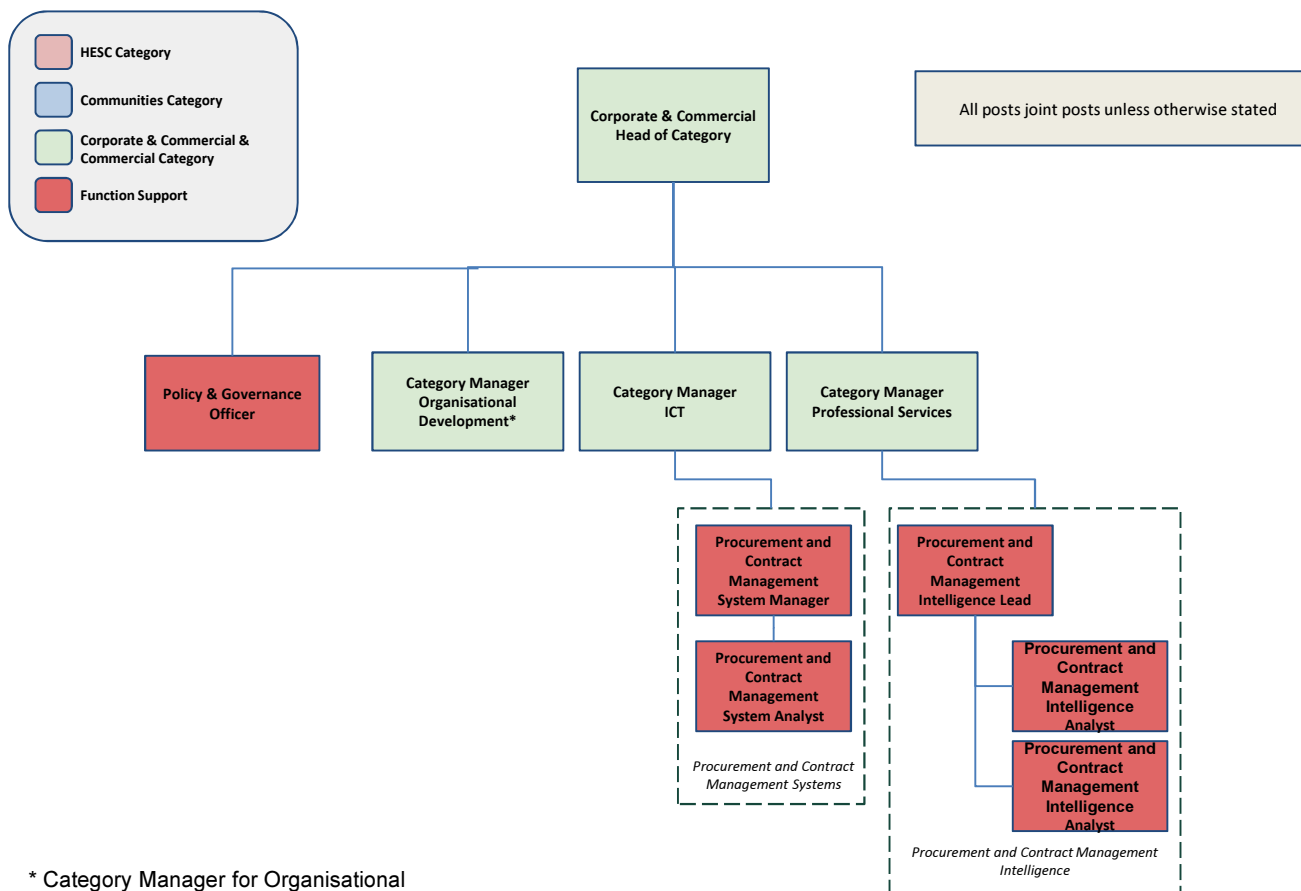


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Structure (4/4)

Corporate & Commercial Category



* Category Manager for Organisational Development will not have line management responsibilities.



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Provision Cycle Current Focus

- Fixing what needs to be fixed now - processes and procedures
- Designing and agreeing new processes and ways of working
- Recruiting to the new teams
- Communicating with all stakeholders to explain what is happening in January
- Preparing the new teams for commencement of Provision Cycle
- Development of a '100 day plan', outlining key priorities for focus after go-live



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Provision Cycle Preparation

- Multi-stakeholder workshops currently being held to review new processes, following the initial design work conducted with PwC
- Developing detailed processes for the new ways of working which address areas of concern highlighted in current processes, eliminating the potential for errors, duplications and inefficiencies
- Addressing deficiencies within current processes which have been previously highlighted
- Working with Directorates to ensure future model will deliver for them, as required and expected
- Aim that by end of November, all processes will have been reviewed by stakeholders, and agreed for implementation



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Recruitment



- Consultation across affected colleagues has now completed
- Very good level of interest in roles, with a high standard of expressions of interest submitted
- Interviews for Head of Category roles commencing 9 November, other roles following that, with the aim being for any successful Heads of Category to be involved in recruitment
- External recruitment for substantive Head of Procurement and Contract Management has commenced
- External recruitment to all other roles, as necessary, will follow internal interviews and appointments



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Delivery of Provision Cycle

- PwC engaged to assist in preparing for, and embedding the new ways of working. Key outputs from the engagement:
 - A jointly-developed detailed multi-level communications plan
 - Development of a 'Handbook' to ensure that all staff engaged in the Hub or Spoke are working in a common manner, and that expected ways of working, behaviours and processes are consistent.
 - New procedures and guides for colleagues within the organisations who are buying on behalf of the organisation
 - Development of '100 day plan', outlining key priorities for HoP&CM post go-live
- Separate engagement to look at third party spend savings opportunities:
 - Joint approach, building on previous work in this area
 - Far more collaborative approach, seeking buy-in from CEDR
 - Savings target of between £6m to £12m



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Communications

- Communications are critical to the success of the project
- A substantial investment by the organisations, so need to provide assurance that this will deliver on promises
- Roles and responsibilities need to be fully understood by all stakeholders to ensure effective delivery of Provision Cycle
- Regular reporting to appropriate forums on progress and achievements



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Any Questions?



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Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 11 November 2020

TREASURY MANAGEMENT MID-TERM REVIEW 2020/21

Report by the Director of Finance

RECOMMENDATION

1. **Audit & Governance Committee is RECOMMENDED to**
 - a) **note the report, and**
 - b) **recommend Council to note the Council's Mid-Term Treasury Management Review 2020/21.**

Executive Summary

2. This report covers the treasury management activity for the first 6 months of 2020/21 in compliance with the CIPFA Code of Practice.
3. During the first 6 months of the year £6m of external debt was repaid bringing the total debt down to £335.38m by 30 September 2020.
4. The average daily balance of temporary surplus cash invested in-house in the six months to 30 September was £383.95m. The Council achieved an average in-house return for that period of 0.93%, above the budgeted rate of 0.85% set in the strategy. This has produced gross interest receivable of £1.80m for the six months to 30 September compared to budget of £1.22m, due to an increase in the long term lending limit, higher than forecast cash balances and an increase of the weighted average maturity of investments. This is £0.58m or 48% more than budgeted.
5. During the first 6 months of 2020/21 the Council maintained its holding in external funds. Weighted by original purchase price, pooled fund investments produced an annualised income return of 3.20% for the period compared to the target return of 3.75% as set out in the Financial Strategy. Forecast returns for the year are £3.06m compared to the original budget of £3.81m. The shortfall of £0.75m is included in the Council's £50.9m forecast financial impact of Covid-19 in 2020/21 and as part of the Revised Budget agreed by Council in September 2020, a virement for this sum has been approved to reduce the budget to £3.06m. The value of the funds increased from £89.97m at 31 March to £94.07m as at 30 September, recovering a proportion of the losses sustained as a result of the pandemic from the original purchase cost of £101.0m. These investments are held with a long-term view and performance is assessed accordingly.

Introduction

6. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management 2017 recommends that members are informed of Treasury Management activities at least twice a year. This report

ensures this authority is embracing Best Practice in accordance with CIPFA's recommendations.

7. The following annexes are attached

Annex 1	Lending List Changes
Annex 2	Debt Financing 2020/21
Annex 3	PWLB Debt Maturing
Annex 4	Prudential Indicator Monitoring
Annex 5	Arlingclose Quarter 2 Benchmarking
Annex 6	Specified & Non-Specified Investments 2020/21

Strategy 2020/21

8. The approved Treasury Management Strategy for 2020/21 was based on an average base rate forecast of 0.75%.
9. The Strategy for borrowing provided an option to fund new or replacement borrowing up to £100m through internal borrowing.
10. The Strategy included the continued use of pooled fund vehicles with variable net asset value.

External Context – Provided by Arlingclose

11. **Economic backdrop:** The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit it was back in the news with continued uncertainty over what terms the UK will trade with EU from 1st January 2021.
12. The Bank of England (BoE) maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.
13. GDP growth contracted by a massive -19.8% (revised from first estimate -20.4%) in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.5% (first estimate -21.7%). Construction output fell by -35% over the quarter, services output by almost -20% and production by -16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.
14. The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year/year in August, increasing to 0.5% year/year in September, still below the Bank of England's 2% target, with the largest downward contribution coming from

restaurants and hotels influenced by the EOH scheme. The Office for National Statistics' preferred measure of CPIH which includes owner-occupied housing was 0.5% year/year.

15. In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell -1% for total pay in nominal terms (-0.2% regular pay) and was down -1.8% in real terms (-0.7% regular pay). Despite only a modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this, the BoE has forecast unemployment could hit a peak of between 8% and 9%.
16. **Financial markets:** Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak, albeit that performance being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up around half of their losses at the height of the pandemic in March. Central bank and government stimulus packages continue to support asset prices, but volatility remains.
17. Ultra-low interest rates and the flight to quality continued, keeping gilts yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June–September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.23% respectively over the period.
18. At the end of September, the yield on 2-year US treasuries was around 0.13% while that on 10-year treasuries was 0.69%. German bund yields remain negative across most maturities
19. **Credit background:** Credit default swap spreads eased over most of the period but then started to tick up again through September. In the UK, the spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remained elevated and the highest of those we monitor at 85bps while Standard Chartered was the lowest at 41bps. The ringfenced banks are currently trading between 45bps and 50bps.
20. After a busy second quarter of the calendar year, the subsequent period has been relatively quiet for credit changes for the names on our counterparty list. Fitch assigned a AA- deposit rating to Netherlands lender Rabobank with a negative outlook and prior to that, while not related to our counterparty list but quite significant, revised the outlook on the US economy to Negative from Stable while also affirming its AAA rating.
21. There continues to remain much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of the end of the Brexit transition period on 31st December and what a trade deal may or may not look like. The institutions on Arlingclose's counterparty list and recommended duration remain under constant review, but at the end of the

period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Treasury Management Activity

Debt Financing

22. The Council's cumulative total external debt has decreased from £341.38m on 1 April 2020 to £335.38m by 30 September 2020, a net decrease of £6m. No new debt financing has been arranged during the year. The total forecast external debt as at 31 March 2021 is £335.38m. The forecast debt financing position for 31 March 2021 is shown in Annex 2.
23. At 30 September 2020, the authority had 53 PWLB¹ loans totalling £285.38m, nine LOBO² loans totalling £45m and one long-term fixed Money Market loan totalling £5m³. The combined weighted average interest rate for external debt as at 30 September 2020 was 4.46%.

Maturing Debt

24. The Council repaid £6m of maturing PWLB loans during the first half of the year. The details are set out in Annex 3.

Debt Restructuring

25. The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt restructuring activity. No PWLB debt restructuring activity was undertaken during the first half of the year. Opportunities to restructure debt remain under regular review.

LOBOs

26. At the beginning of the financial year the Council held £45m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £15m of these LOBOs had options during 2020/21, to the 30 September 2020 none had been exercised by the lender. The Council acknowledges there is an element of refinancing risk associated with LOBOs although in the current interest rate environment lenders are unlikely to exercise their options.

¹ PWLB (Public Works Loans Board) is a Government agency operating within the United Kingdom Debt Management Office and is responsible for lending money to Local Authorities.

² LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

³ In June 2016, the Council's LOBO with Barclays PLC was converted to a fixed rate loan at its current interest rate of 3.95% to mature on the 29th May 2065 with Barclays waiving their right to change the interest rate on the loan in the future.

Investment Strategy

27. The Council holds deposits and invested funds representing income received in advance of expenditure plus balances and reserves. The guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles. The Council continued to adopt a cautious approach to lending to financial institutions and continuously monitored credit quality information relating to counterparties.
28. During the first half of the financial year term fixed deposits have been placed with other Local Authorities as per the approved lending list, whilst Call Accounts and Money Market Funds have been utilised for short-term liquidity. The PWLB continues to charge borrowers 100 basis points over Gilts. As a result, inter Local Authority lending rates have remained attractive. The Council has been able to benefit from these inflated rates with a combination of short and longer term deposits.
29. The Treasury Management Strategy Statement and Annual Investment Strategy for 2020/21 included the use of external fund managers and pooled funds to diversify the investment portfolio through the use of different investment instruments, investment in different markets, and exposure to a range of counterparties. It is expected that these funds should outperform the Council's in-house investment performance over a rolling three-year period. The strategy permitted up to 50% of the total portfolio to be invested with external fund managers and pooled funds (excluding Money Market Funds). The performance of the pooled funds will continue to be monitored by the Treasury Management Strategy Team (TMST) throughout the year against respective benchmarks and the in-house portfolio.
30. In May 2020, after an analysis of cash balances, the long-term lending limits of £200m for 2020/21 and £170m for 2021/22 were increased to £215m and £175m respectively.
31. The UK Bank Rate has remained at 0.10% for the 6 months to 30 September 2020. Arlingclose currently forecast the bank rate to remain at 0.10% for the medium term, but with significant near term downside risk. The TMST view is that there will not be another increase in base rate this financial year, with a significant risk that base rate could be cut to 0.00% or lower.
32. If base rate were to go into negative territory, it would have little impact on the 2020/21 interest receivable forecast, as the majority of the investments are pre-arranged and fixed interest. Instant access deposits would likely produce a negative yield, however it is probable that short term inter local authority deposits would remain positive. The Treasury team would seek to move money held on instant access to very short term deposits with other local authorities, or call accounts with suitable financial institutions at 0.00% or above.
33. Negative interest rates would begin to have a greater impact for the Council in 2021/22 as the majority of fixed term deposits are due to mature in 2021/22 and would require refinancing.

The Council's Lending List

34. The Council's in-house cash balances were deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is updated to reflect changes in counterparty credit quality with changes reported to Cabinet on a bi-monthly basis. Changes to the lending list in the first 6 months of 2020/21 are set out in Annex 1.
35. In the six months to 30 September 2020 there were no instances of breaches in policy in relation to the Council's Lending List. Any breaches in policy will be reported to Cabinet as part of the bi-monthly Business Strategy and Financial Monitoring report.

Investment Performance

36. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement and Annual Investment Strategy for 2020/21 and by purposefully reducing exposure to "bail in" banks and favouring deposits with other Local Authorities. As at 30 September 2020, the Council had £294.5m deposited with 29 other Local Authorities with an average deposit total of £10.16m per authority.
37. The average daily balance of temporary surplus cash invested in-house in the six months to 30 September 2020 was £383.85m. The Council achieved an average in-house return for that period of 0.93%, above the budgeted rate of 0.85% set in the strategy. This has produced gross interest receivable of £1.80m for the six months to 30 September compared to budget of £1.22m. This was achieved by increasing the weighted average maturity of in-house investments from 214 days at 31 March to 255 days as at 30 September and taking advantage of higher interest rates payable for longer deposits.
38. Temporary surplus cash includes; developer contributions; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on the average three month London Interbank Bid (LIBID) rate.
39. The Council uses the three month inter-bank sterling bid rate as its benchmark to measure its own in-house investment performance. During the first half of 2020/21 the average three month inter-bank sterling rate was 0.23%. The Council's average in-house return of 0.93% exceeded the benchmark by 0.70%. The Council operates a number of call accounts and instant access Money Market Funds to deposit short-term cash surpluses. The average balance held on overnight deposit in money market funds or call accounts in the 6 months to 30 September was £82.14m.

External Fund Managers and Pooled Funds

40. During the first 6 months of 2020/21 the Council maintained its holding in external funds. The value of the funds was £94.07m as at 30 September

compared to £89.97m at 31 March, recovering a proportion of the losses sustained as a result of the pandemic from the original purchase cost of £101.0m. Weighted by original purchase value, pooled fund investments produced an annualised income return of 3.20% for the period. These investments are held with a long-term view and performance is assessed accordingly.

41. Gross distributions from pooled funds have totalled £1.61m in the first six months of the year.

Prudential Indicators for Treasury Management

42. The Authority confirms compliance with its Prudential Indicators for 2020/21, which were set as part of the Authority's Treasury Management Strategy Statement. The position as at 30 September 2020 for the Prudential Indicators is shown in Annex 4.

External Performance Indicators and Statistics

43. Arlingclose benchmark the Council's investment performance against its other clients on a quarterly basis. The results of the quarter 2 benchmarking to 30 September 2020 are shown in Annex 5.
44. The benchmarking results show that the Council was achieving significantly higher than average interest on inhouse investments, and just under average income on externally managed funds at 30 September 2020, when compared with a group of 128 other local authorities. This has been achieved by placing deposits over a longer than average duration with institutions that are of higher than average credit quality.
45. Oxfordshire had a higher than average allocation to fixed and local authority deposits when compared with other local authorities in the benchmarking exercise. Oxfordshire also had a notably lower than average exposure to money market funds and call accounts.

Training

46. Individuals within the Treasury Management Team continue to keep up to date with the latest developments and attend external workshops and conferences where relevant

Financial and Legal Implications

47. Interest payable and receivable in relation to Treasury Management activities are included within the overall Strategic Measures budget. In house interest receivable for 2020/21 is currently forecast as £3.00m, exceeding the budgeted figure of £2.34m by £0.66m. Of the forecast £3.00m interest receivable, £1.80m had been realised as at the 30 September 2020. The increased interest received is due to the achievement of higher than forecast average cash balances.
48. Dividends payable from external funds in 2020/21 are forecast as £3.06m, which is £0.75m below the original budget. However, the budget has been reset to take

account of this shortfall as part of the Revised Budget for 2020/21 agreed by Council in September 2020 reflecting the financial impact of Covid-19. Future assumptions for the return on external fund are being incorporated into the Business & Budget Planning Process.

49. Interest payable is currently forecast to be in line with the budgeted figure of £14.99m.
50. There are no direct legal implications arising from this report save for the need for ongoing collaborative working between the S.151 Officer and the Monitoring Office. CIPFA guidance promotes the need for consultative working and collaboration between these respective roles to promote good organisational governance.

LORNA BAXTER
Director of Finance

Contact officer: Tim Chapple – Treasury Manager
Contact number: 07917 262935
November 2020

Lending List Changes from 1 April 2020 to 30 September 2020

Counterparty	Lending Limit	Maximum Maturity
Counterparties added/reinstated		
CCLA Public Sector Deposit Fund	£4m	O/N
Deutsche Sterling Money Market Fund	£25m	O/N
Counterparties suspended		
Close Brother Ltd		
Coventry Building Society		
Handlesbanken UK		
Lending limits & Maturity limits increased		
Morgan & Stanley Sterling Liquidity Fund	£5m to £12.5m	O/N

Pension Fund Lending list changes

None

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2020/21

<u>Debt Profile</u>		£m
1. PWLB	82%	291.38
2. Other Long Term Loans	14%	<u>50.00</u>
3. Sub-total External Debt		341.38
4. Internal Balances		<u>15.21</u>
5. Actual Debt at 31 March 2020	100%	356.59
6. Prudential Borrowing		37.98
7. Borrowing in Advance		0.00
8. Minimum Revenue Provision		<u>-6.55</u>
9. Forecast Debt at 31 March 2021		388.03

<u>Maturing Debt</u>		
10. PWLB loans maturing during the year		6.00
11. PWLB loans repaid prematurely in the course of debt restructuring		<u>0.00</u>
12. Total Maturing Debt		-6.00

<u>New External Borrowing</u>		
13. PWLB Normal		0.00
14. PWLB loans raised in the course of debt restructuring		0.00
15. Money Market LOBO loans		<u>0.00</u>
16. Total New External Borrowing		0.00

<u>Debt Profile Year End</u>		
17. PWLB	74%	285.38
18. Money Market loans (incl £45m LOBOs)	13%	<u>50.00</u>
19. Forecast Sub-total External Debt		335.38
20. Forecast Internal Balances		<u>52.65</u>
21. Forecast Debt at 31 March 2021	100%	388.30

Line

- 1 – 5 This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2020). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied, and excess of creditors over debtors.
- 6 'Prudential Borrowing' reflects Prudential Borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.
- 7 'Borrowing in Advance' is the amount the Council borrowed in advance to fund future capital finance costs.
- 8 The amount of debt to be repaid from revenue. The sum to be repaid annually is laid down in the Local Government and Housing Act 1989, which stipulates that the repayments must equate to at least 4% of the debt outstanding at 1 April each year.
- 9 The Council's forecast total debt by the end of the financial year, after taking into account new borrowing, debt repayment and movement in funding by internal balances.
- 10 The Council's normal maturing PWLB debt.
- 11 PWLB debt repaid early during the year.
- 12 Total debt repayable during the year.
- 13 The normal PWLB borrowing undertaken by the Council during 2020/21.
- 14 New PWLB loans to replace debt repaid early.
- 15 The Money Market borrowing undertaken by the Council during 2020/21
- 16 The total external borrowing undertaken.
- 18-22 The Council's forecast debt profile at the end of the year.

Long-Term Debt Maturing 2020/21**Public Works Loan Board: Loans Matured during first half of 2020/21**

Date	Amount £m	Rate %
01/06/2020	5.000	3.540%
13/07/2020	0.500	2.35%
31/07/2020	0.500	2.35%
Total	6.000	

Prudential Indicators Monitoring at 30 September 2020

The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. To demonstrate that the Authority has fulfilled the requirements of the Prudential Code the following indicators must be set and monitored each year.

Authorised and Operational Limit for External Debt

Actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt below. The Operational Boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The council confirms that the Operational Boundary has not been breached during 2020/21.

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The Authority confirms that the Authorised limit was not breached in the first half of 2020/21.

Authorised limit for External Debt	£410,000,000
Operational Limit for External Debt	£390,000,000
Capital Financing Requirement for year	£388,303,000

	Actual 30/09/2020	Forecast 31/03/2021
Borrowing	£335,382,618	£335,382,618
Other Long-Term Liabilities	£ 52,920,382	£ 52,920,382
Total	£388,303,000	£388,303,000

Interest Rate Exposures

These indicators are set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest exposures. Fixed rate investments are borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 30 September 2020	£60,382,618

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	£0
Actual at 30 September 2020	-£11,341,353

Principal Sums Invested over 365 days

Total sums invested for more than 364 days limit

£215,000,000

Actual sums invested for more than 364 days

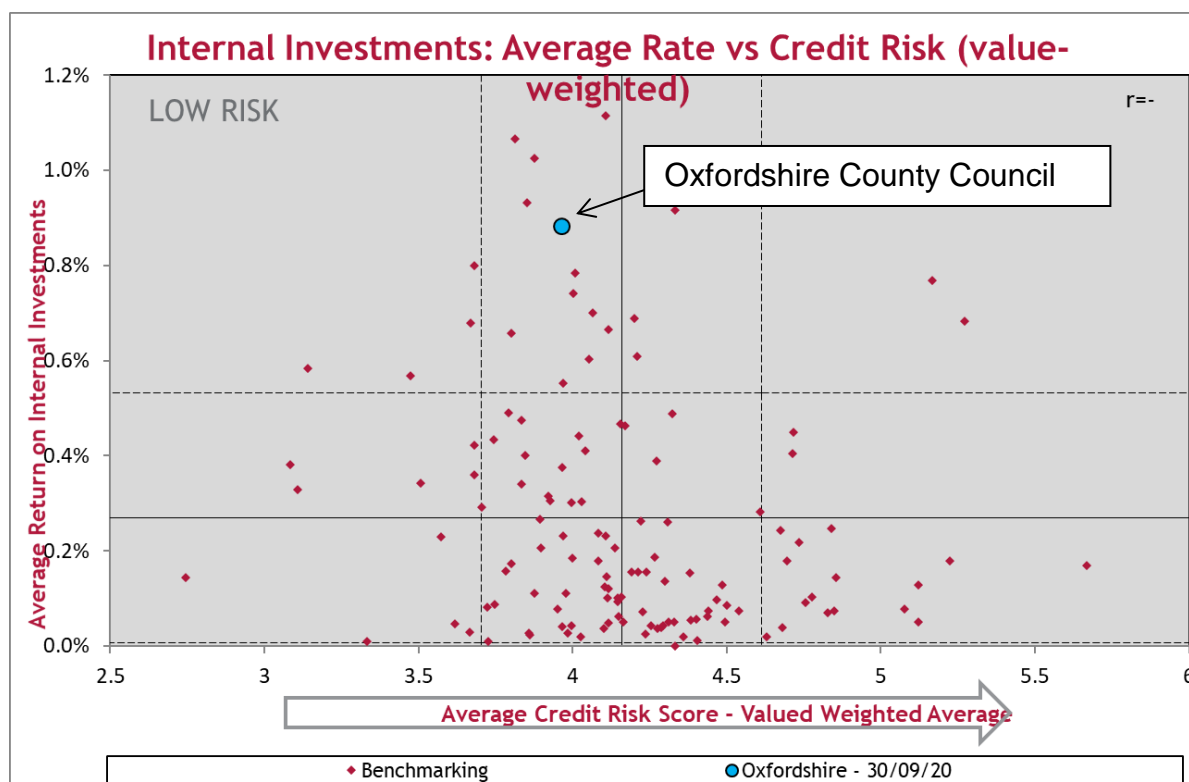
£ 72,500,000

Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing and the actual structure at 30 September 2019, are shown below. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

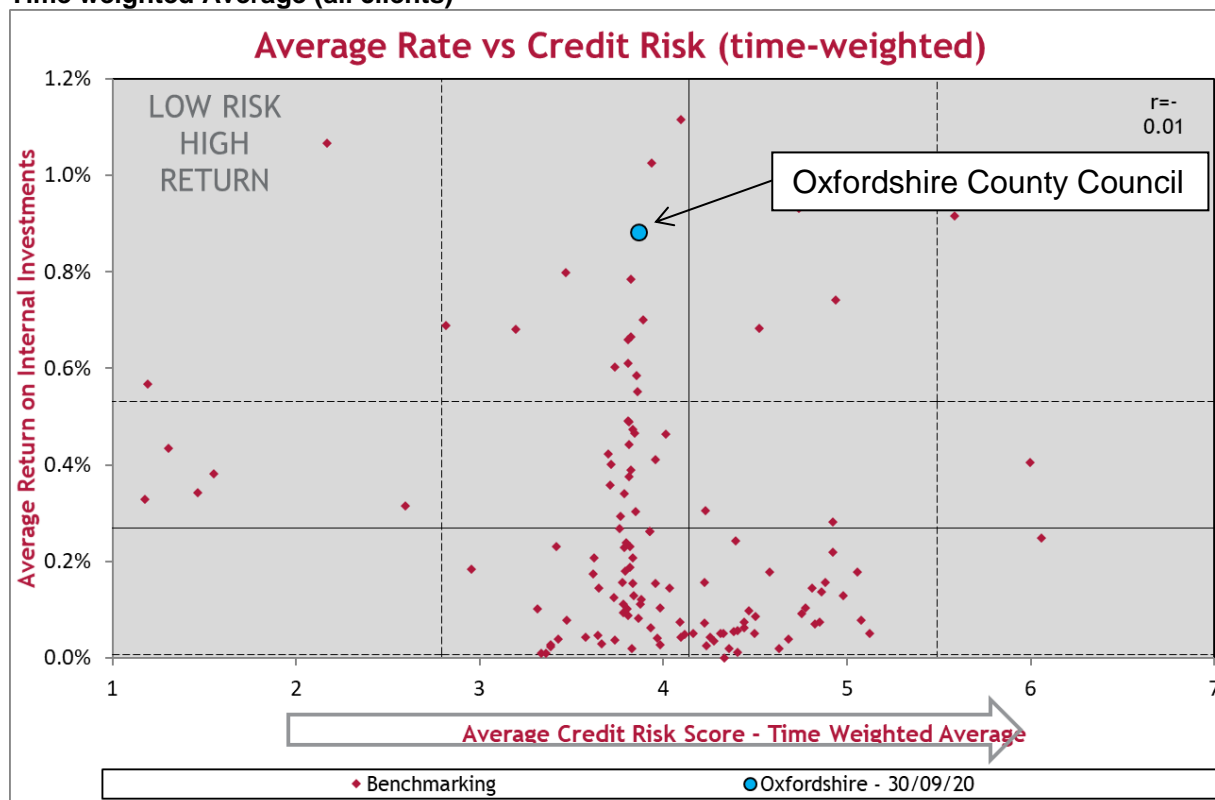
	Limit %	Actual %
Under 12 months	0 - 20	10.44
12 – 24 months	0 - 25	6.56
24 months – 5 years	0 - 35	10.14
5 years to 10 years	5 - 40	25.46
10 years +	40 - 95	47.41

Value weighted average (all clients)



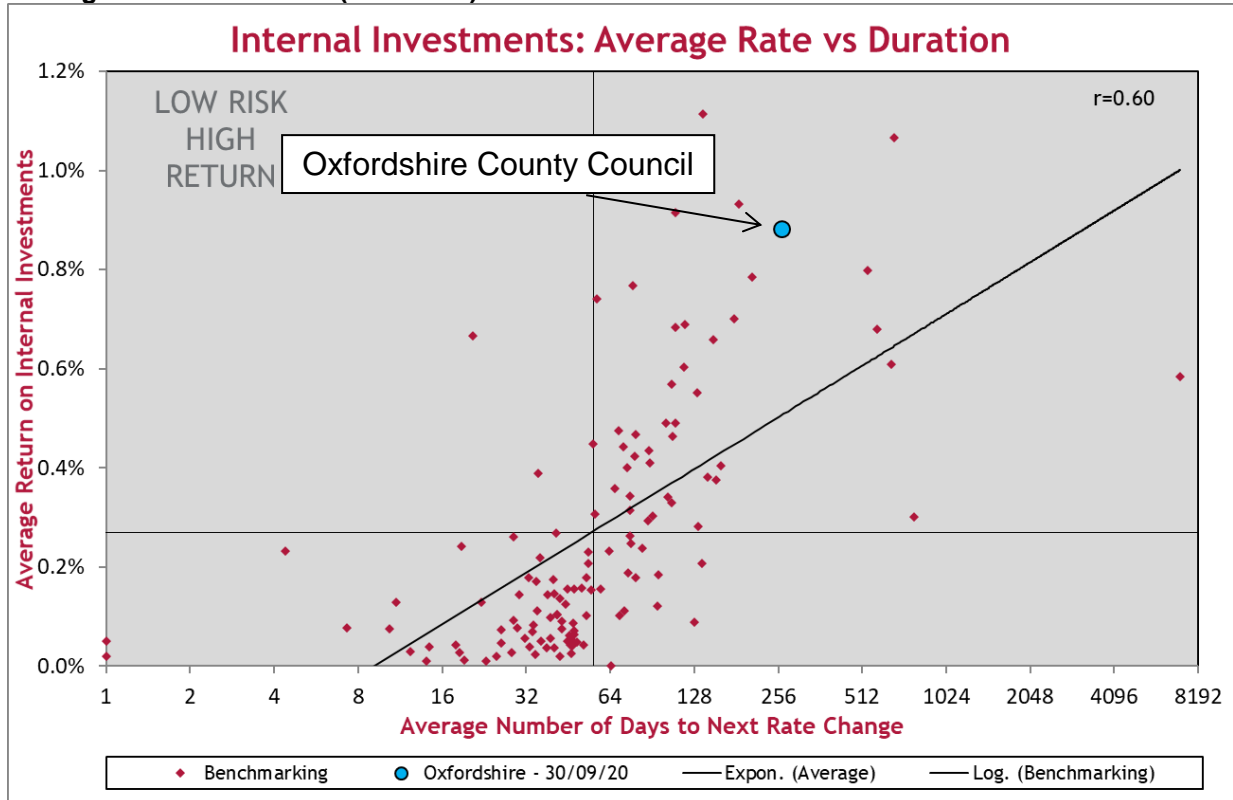
This graph shows that, at 30 September 2020, Oxfordshire achieved significantly higher than average return for lower than average credit risk, weighted by deposit size.

Time weighted Average (all clients)



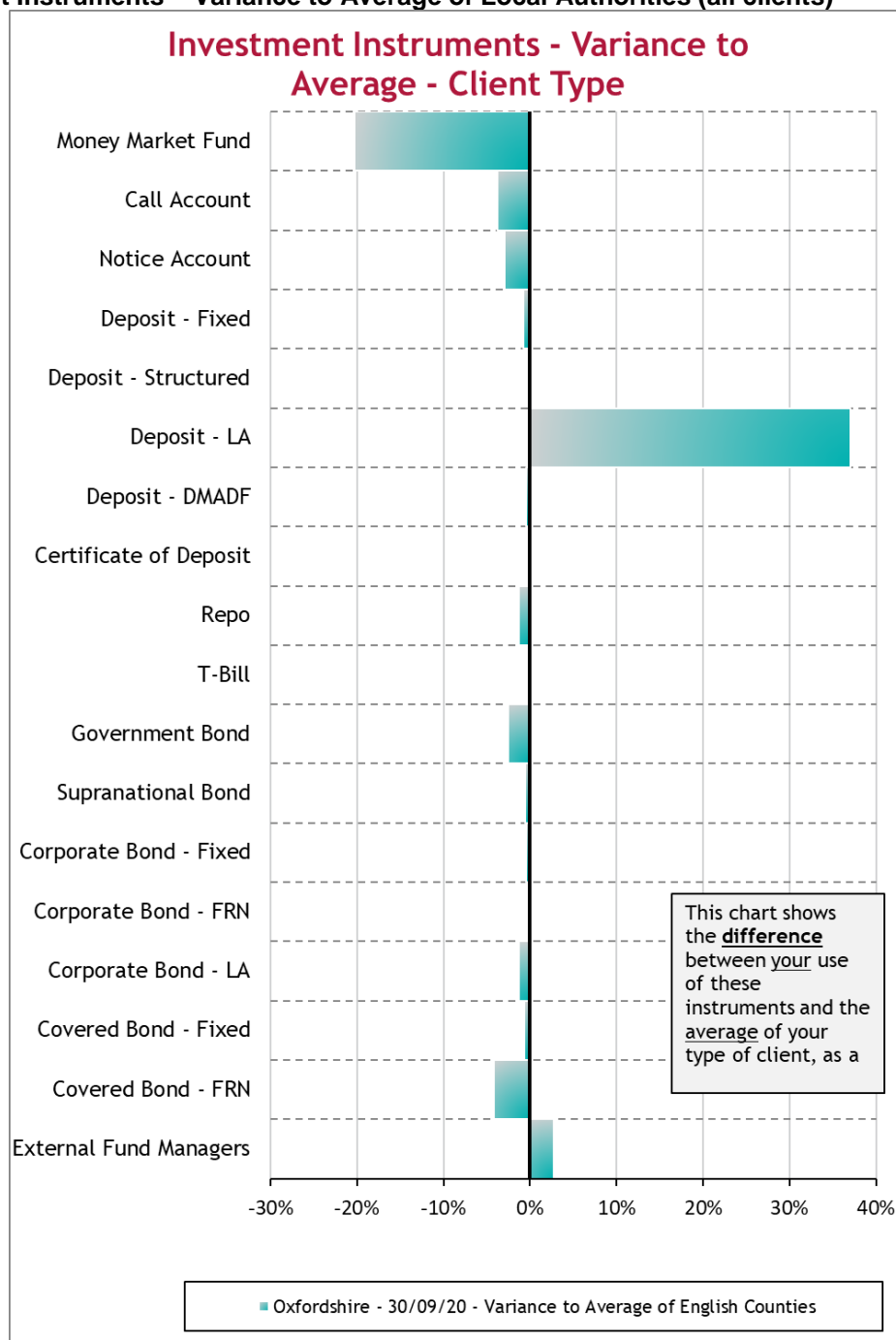
This graph shows that, at 30 September 2020, Oxfordshire achieved significantly higher than average return for lower than average credit risk, weighted by duration.

Average Rate vs Duration (all clients)



This graph shows that, at 30 September 2020, Oxfordshire achieved a higher than average return by placing deposits for longer than average duration.

Investment Instruments – Variance to Average of Local Authorities (all clients)



This graph shows that, at September 2020, Oxfordshire had notably higher than average local authority deposits, and lower than average deposits in money market funds when compared with other local authorities. Oxfordshire also had notably lower exposures to money market funds and call accounts.

Specified and Non Specified Investments 2020/21

Specified Investments

Investment Instrument	Minimum Credit Criteria	Use
Debt Management Agency Deposit Facility	N/A	In-house and Fund Managers
Term Deposits – UK Government	N/A	In-house
Term Deposits – other Local Authorities	N/A	In-house
Term Deposits – Banks and Building Societies	Short-term F1, Long-term BBB+, Minimum Sovereign Rating AA+	In-house and Fund Managers
Certificates of Deposit issued by Banks and Building Societies	A1 or P1	In-house on a buy and hold basis and Fund Managers
Money Market Funds	AAA	In-house and Fund Managers
Other Money Market Funds and Collective Investment Schemes ⁴	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.	In-house and Fund Managers
UK Government Gilts	N/A	In-house on a buy and hold basis and Fund Managers
Treasury Bills	N/A	In-house and Fund Managers
Reverse Repurchase Agreements - maturity under 1 year from arrangement and counterparty is of high credit quality (not collateral)	Long Term Counterparty Rating A-	In-house and Fund Managers
Covered Bonds – maturity under 1 year from arrangement	Minimum issue rating of A-	In-house and Fund Managers

⁴ I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Non-Specified Investments

Investment Instrument	Minimum Credit Criteria	Use	Max % of total Investments	Max Maturity Period
Term Deposits – other Local Authorities (maturities in excess of 1 year)	N/A	In-house	50%	3 years
Term Deposits – Banks and Building Societies (maturities in excess of 1 year)	Short-term F1+, Long-term AA-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
Structured Products (e.g. Callable deposits, range accruals, snowballs, escalators etc.)	Short-term F1+, Long-term AA-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
UK Government Gilts with maturities in excess of 1 year	N/A	In-house and Fund Managers	50% in-house; 100% External Funds	5 years in-house, 10 years fund managers
Bonds issued by Multilateral Development Banks	AAA	In-house and Fund Managers	50% in-house; 100% External Fund	25 years
Bonds issued by a financial institution which is guaranteed by the UK Government	AA	In-house and Fund Managers	50% in-house; 100% External Fund	5 years in-house
Collective Investment Schemes ⁵ but which are not credit rated	N/A	In-house and Fund Managers	50% In-house; 100% External Funds	Pooled Funds do not have a defined maturity date
Sovereign Bond Issues	AAA	In-house on a buy and hold basis. Fund Managers	50% in-house; 100% External Funds	5 year in-house, 30 years fund managers
Reverse Repurchase Agreements - maturity in excess of 1 year, or/and counterparty not of high credit quality.	Minimum long term rating of A-	In-house and Fund Managers	50% in-house; 100% External Funds	3 years
Covered Bonds	AAA	In-house and Fund Managers	50% in-house; 100% External Funds	20 years
Registered Providers	As agreed by TMST in consultation with the Leader and the Cabinet Member for Finance	In-house	50% In-house	5 years

The maximum limits for in-house investments apply at the time of arrangement.

⁵ Pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

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Oxfordshire County Council Draft Audit Results report

Year ended 31 March 2020

02 November 2020

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Building a better
working world

Agenda Item 8



02 November 2020

Dear Audit & Governance Committee Members

We are pleased to attach our draft audit results report for the forthcoming meeting of the Audit & Governance Committee. This report summarises our proposed audit conclusion in relation to the audit of Oxfordshire County Council for 2019/20.

We have substantially completed our audit of Oxfordshire County Council for the year ended 2019/20.

As set out on page 5 to 7, a number of issues have arisen as a result of covid-19 which may impact on our audit opinion. We confirm that we expect to issue our audit opinion on the financial statements before the accounts publication date of 30 November 2020. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit & Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 11 November 2020.

Yours faithfully

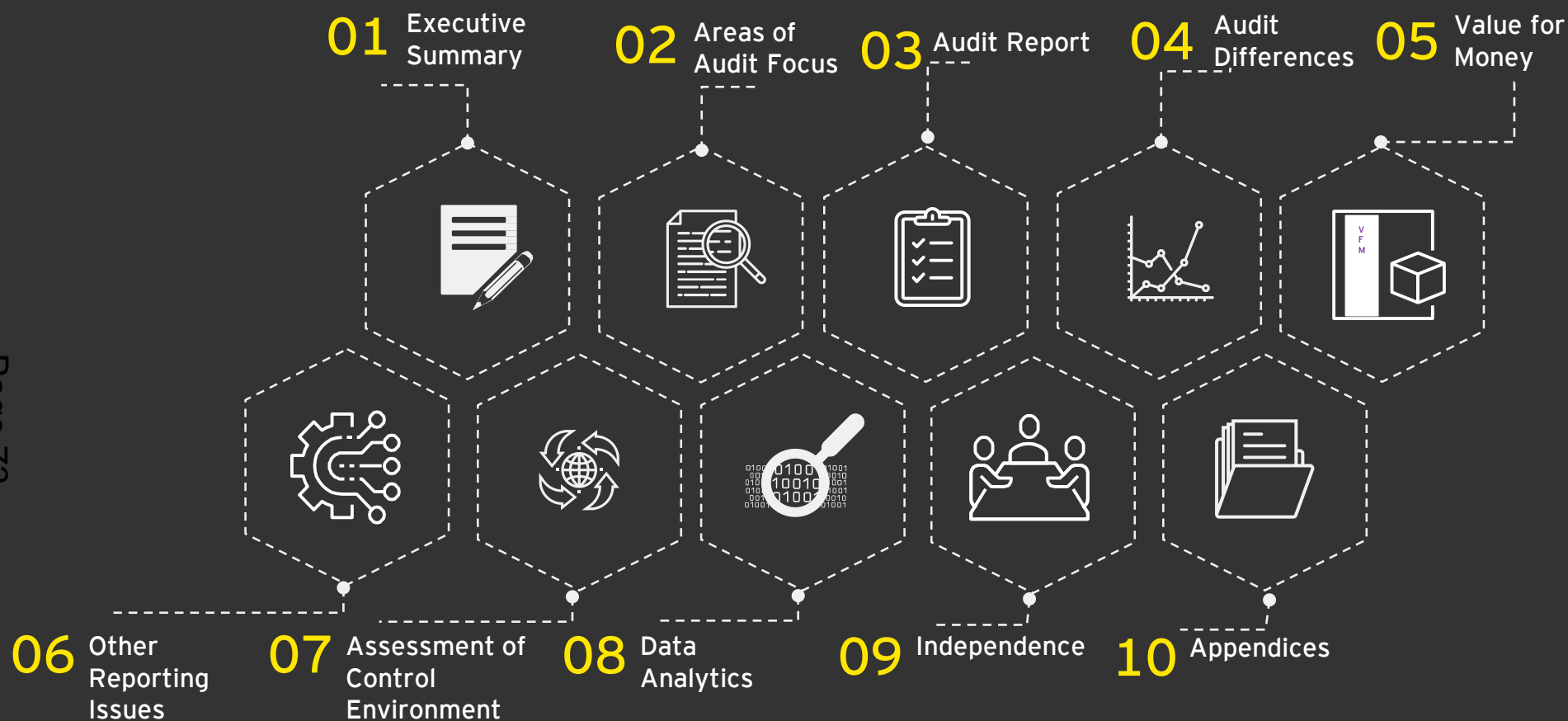
Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the 27 May 2020 Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

- **Valuation of Property Plant and Equipment** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
- **Disclosures on Going Concern** - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.
- **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Local Authority.
- **Adoption of IFRS16** - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes to the scope of our audit as a result of Covid-19

- We revised our risk assessment on key estimates (PPE and Pensions) and have used internal specialists to support our work in these areas.

Changes in materiality. In our Audit & Governance Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £19.2 m, with performance materiality, at 75% of overall materiality, of £14.4m, and a threshold for reporting misstatements of £0.96 m.

We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

The basis of our assessment has remained consistent with prior years at 1.8% of gross operating expenditure.

We updated our materiality assessment upon receipt of the draft financial statements and this resulted in a revised materiality of £18.4 m, with performance materiality, at 75% of overall materiality, of £13.8 m, and a threshold for reporting misstatements of £0.92 m.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.



Executive Summary

Scope update

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fees at Section 9.

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Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Oxfordshire County Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

In response to the Covid-19 pandemic we revised our risk assessment and included an additional inherent risk around Going Concern disclosures and consideration of Post Balance Sheet Events. This was presented in the form of an Addendum to the Audit Plan and was presented at the 27 May 2020 Audit & Governance Committee meeting.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Governance Committee.



Executive Summary

Status of the audit

We have substantially completed our audit of Oxfordshire County Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. We note the outstanding matters set out in appendix D. Until all remaining items can be completed it is possible that further amendments could be required. Below we also note some significant items which may impact on the status of our final audit report.

Impact of Covid-19:

Collection Fund: Due to the impact of the Covid-19 pandemic central government allowed district councils longer to submit their Collection Fund figures to the Authority. The deadline for receipt of this data was 31 July 2020, though this deadline was missed in a number of cases. As a result the Collection Fund figures in the draft unaudited accounts needed to be updated and, in turn, needed to be audited. This work has now been completed and we note the impact of these changes in Section 4.

Our audit opinion may emphasise the following :

Property, Plant and Equipment (PPE) valuation - the external valuer has flagged a material uncertainty in their valuation report to the Council. We have engaged with our internal valuation specialists to support the audit team understand the extent of the uncertainty. Depending on the outcome of that review our audit report may include an Emphasis of Matter or a Material Uncertainty in respect of PPE valuation.

Going concern - given the significance of the Covid-19 pandemic on the financial operations and financial management of the Authority we have been required to complete additional procedures in respect of Going Concern. We have requested additional information from the Director of Finance and raised a number of questions to understand the implications of Covid-19 on longer terms financial plans. Depending on our review of that information and responses there may be an impact on our audit report for 2019/20. This could take the form of either an Emphasis of Matter disclosure in our audit report or a Material Uncertainty disclosure. This will be subject to internal consultation with our internal professional practice directorate.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

As at the date of this report we have not identified any unadjusted audit differences greater than the reporting threshold on page 5.

We have identified one adjustment, including a prior period adjustment, in respect of the Private Finance Initiative (PFI) disclosure note. Further details can be found in Section 4.

As there are a number of outstanding matters to be concluded (as noted above and in appendix D), the audit is still ongoing and therefore it is possible that further amendments may be required.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we did not identify any value for money significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We found the Annual Governance Statement to be consistent with our understanding of the Council and the arrangements in effect throughout 2019/20, including consideration of the impact of Covid-19.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This will be completed at the end of the audit and we will report our findings in our final Audit Results Report.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence.



02 Areas of Audit Focus





Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

Page 81

What is the risk?

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For Oxfordshire County Council, we consider this risk to be present in:

- Additions to property, plant and equipment and Revenue Expenditure Financed from Capital Under Statute (REFCUS).

We have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Authority's capital programme.

What judgements are we focused on?

How management decides on appropriate capitalisation of revenue expenditure, including consideration of REFCUS.

What did we do?

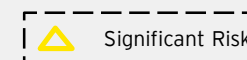
We sample tested additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.

What are our conclusions?

We have not identified any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.

Capital expenditure in relation to Investment is not material, therefore we focused our testing on property, plant and equipment capital additions and also Revenue Expenditure Financed from Capital Under Statute (REFCUS) capital additions.

Our testing of capital additions has not identified any instances where expenditure had been inappropriately capitalised.





Areas of Audit Focus

Significant risk

Risk of error in the valuation of land and buildings (updated post Covid-19)

What is the risk?

The fair value of Property, Plant and Equipment and Investment Properties represent significant balances in the Authority's accounts, totalling approximately £1.2 billion and are subject to valuation changes, impairment reviews and depreciation charges.

In calculating amounts recorded in the Authority's balance sheet, management are required to make material judgements and apply estimation techniques.

What judgements are we focused on?

We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:

- harder to value assets – such as schools which are valued on a depreciated replacement cost basis;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

We confirmed that the Authority's valuers are members of RICS and registered valuers. We reviewed the instructions provided to the valuer against the requirements of the Code and IFRS and found no issues.

For a sample of assets we assessed whether the valuation basis was appropriate and whether the assumptions used were supportable and reperformed the valuers' calculations.

We challenged the information provided by the valuer as the management's expert.

We have considered the impact of assets not revalued in year, and whether this could lead to a material misstatement of the closing asset valuation.

What are our conclusions?

We updated our risk assessment in light of the impact of Covid-19 and the fact that the external valuer had highlighted a 'material uncertainty' in their valuation report. As a result we instructed our internal valuers to support us with our work in this area.

We have asked our internal valuers to support us with a review of a range of assets across the portfolio including primary schools, secondary schools, council offices and investment properties. This work is still ongoing.

We have considered the impact of assets not revalued in year and the fact that assets valuations occur effective as at 1 April 2019. We have challenged officers on the material correctness of valuations at that date and officers are considering possible indexation and the impact that this could have across the portfolio. This work is still ongoing.

We identified an issue with the incorrect exclusion of professional fees in the valuations supplied by the external valuer. Revised valuations have been provided and these have been reflected in the financial statements. This has resulted in additional work.

Our work on investment properties has not identified any issues to date.

We will provide an update on the status of our valuations work at the Audit & Governance Committee.



Areas of Audit Focus

Significant risk

Accounting for the Dedicated Schools Grant (DSG)

What is the risk?

The Council is forecasting a year end deficit on DSG of £13-14m. The CIPFA Code has previously not permitted the use of negative reserves.

At the date of our planning report in March 2020 there was uncertainty as to whether the Department for Education would provide funding to councils impacted by this issue. The Department, the NAO and CIPFA have been discussing options for the accounting treatment of the deficit for local authorities and we were expecting them to issue further guidance.

There is a risk that the Council's accounting treatment of the DSG balance will not be in line with the Code. This would specifically impact on the relevant Balance Sheet and Income and Expenditure assertions specifically Completeness, Existence/Occurrence and Measurement/Valuation.

What judgements are we focused on?

We will review the latest guidance available from the Department for Education and CIPFA on the accounting for DSG and consider the Council's treatment of DSG in the draft 2019/20 financial statements.

What did we do?

- ▶ We continued to monitor the DSG balances throughout the year including forecast outturn;
- ▶ We regularly discussed the position with senior management and to understand the accounting treatment being proposed in 2019/20 in light of the guidance available to the Council at the time of production of the financial statements; and
- ▶ Considered the latest guidance available from the NAO, CIPFA and the Department for Education to support the closedown of the financial statements.

What are our conclusions?

We note the outturn position on DSG High Needs of a deficit of £11.222 m as per the draft unaudited financial statements.

We considered the disclosure in light of the revised guidance and found that the Council had disclosed the DSG Reserve in line with the revised guidance.

We have raised some follow up questions to understand the longer term impact of any planned deficits in respect of DSG.

We will provide an update on the status of our work on DSG at the Audit & Governance Committee.



Areas of Audit Focus

Other risk

Risk of error in the valuation of the net pension liability (updated post Covid-19)

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire Pension Fund.

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2020 this totalled over £820 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Pension Fund. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- ▶ significant changes in assumptions made by the actuary; and
- ▶ the assessments of the actuary undertaken by PWC, as consulting actuary commissioned by the National Audit Office, and the EY actuarial team.

What did we do?

- ▶ Liaised with the auditors of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Oxfordshire County Council;
- ▶ Assessed the work of the Pension Fund actuary Hyman Robertson including the assumptions they have used by relying on the work of PWC and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

We are satisfied that the Authority has correctly reflected the IAS 19 entries provided by the actuaries in the financial statements. We are also satisfied that the actuaries are appropriately qualified.

This year, as in the previous year, there has been a national issue which resulted in a change to the Authority's pension net liability. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling". Our internal EY specialists are supporting our work in this area. In addition to McCloud our internal specialists are also supporting the audit team in understanding the impact on the pension liability of the recent Goodwin case. This work is nearing conclusion.

We will provide an update at the Audit & Governance Committee.



Areas of Audit Focus

Other areas of audit focus

Going Concern

What is the risk?

ISA 570 was revised in September 2019. The revised standard increases the work we are required to perform when assessing whether an entity is a going concern and means UK auditors will follow significantly stronger requirements than those required by current international standards. Whilst the standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, EY have revised current audit procedures, recognising the importance of the forthcoming revisions.

Financial plans for 2020/21 and medium term financial plans may need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the financial statements may not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Pension Fund's year end financial position and performance.

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What did we do and what management judgements did we focus on?

- ▶ Obtaining Management's going concern assessment and reviewing for any evidence of bias and consistency with the accounts;
- ▶ Reviewing the financial modelling and forecasts prepared by Oxfordshire County Council. We considered and tested key assumptions, focusing on the reasonableness of the liquidity forecasts up to a date of 12 months after the expected signing date of the accounts and opinion. This assessment therefore needs to extend beyond the 2020/21 financial year, and into 2021/22;
- ▶ Ensuring that an appropriate going concern disclosure has been made within the financial statements; and
- ▶ Considering the impact on our audit report and comply with EY consultation requirements.

What are our conclusions?

Based on our work, we have not identified any issues in this area. The Council's cash flow forecasts extend beyond the 12 months from the date of our audit report and the Council continues to forecast significant and highly material levels of short-term and long-term investments, including liquid investments.

However we are still finalising the requirements of our internal consultation process with our internal Professional Practice directorate.



Areas of Audit Focus



Other matters

Misstatements due to fraud or error

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

This is a risk that we recognise on all engagements. Our overall response to this for Oxfordshire County Council included:

- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes for safeguarding against fraud; and
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.

performing mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Assessing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions.

In addition to our overall response, we considered where these risk may manifest themselves and identified separate fraud risks as discussed above.

Our work on management override is still ongoing and we will provide an update at the Audit & Governance Committee meeting. From the work completed to date we have nothing that we need to specifically report in respect of management override to the Audit & Governance Committee.

02 - Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What did we do?
<p>Carillion - quantification of amounts owed to /from Carillion</p> <p>The County Council had a 10 year contract with Carillion running from 2012 to 2022. A significant portion of this was terminated with the mutual consent of both parties in December 2017 before Carillion's collapse in January 2018. The County Council have planned their response to this in four stages:</p> <p>Stage 1 - transition of services back to the Council from Carillion</p> <p>Stage 2 - stabilisation</p> <p>Stage 3 - assessment of Carillion legacy issues</p> <p>Stage 4 - implementation of work programme for rectification of defects</p> <p>The Council are currently at stage 3.</p> <p>There is ongoing discussion with Carillion's liquidators - PWC - relating to monies PWC claim are owed by the Council. The Council are simultaneously quantifying the costs of rectifying known defects and estimating the potential for latent defects. Given the level of estimation involved we have identified that there is a risk that the amounts owed by the Council may be understated and that the amount due to the Council may be overstated.</p>	<p>We:</p> <ul style="list-style-type: none">• Reviewed the methodology for identifying and quantifying both the known and latent defects;• Assessed the basis of the assessment of the amounts owed to Carillion; and• Ensure the subsequent accounting treatment is appropriate given the information available at the time• Requested the latest assessment on Carillion given the ongoing legal settlement. <p>We noted no issues from our consideration of the methodology being applied or in respect of the amounts owed to Carillion. We found no issues with the accounting treatment as per the draft financial statements as prepared for audit.</p> <p>We have seen the very latest legal position and note that a settlement has now been agreed between both parties. We will need to assess the extent of any proposed disclosure in the final set of accounts in respect of Carillion.</p>

Other areas of audit focus (continued)

What is the risk/area of focus?

IFRS16 - leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued ‘IFRS 16 leases and early guide for practitioners’.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:

- ▶ the identification of leases
- ▶ the recognition of right-of-use assets and liabilities and their subsequent measurement
- ▶ treatment of gains and losses
- ▶ derecognition and presentation and disclosure in the financial statements,
- ▶ the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:

- ▶ the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- ▶ the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

What will we do?

The adoption of IFRS 16 by the NAO Code of Audit Practice as the basis of preparation of financial statements has been deferred until 2021/22. The Council will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified.

We therefore no longer consider this as an area of focus in 2019/20. We will continue to liaise with management in the coming year on their preparation for the future implementation of IFRS 16.



03 Audit Report



03 - Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Oxfordshire County Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Notes 1 to 60 and the Expenditure and Funding Analysis,
- Firefighters' Pension Fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Oxfordshire County Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of Oxfordshire County Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



03 - Audit Report

Our opinion on the financial statements

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Oxfordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Finance

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 13, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters' pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.



03 - Audit Report

Our opinion on the financial statements

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Oxfordshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Oxfordshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Oxfordshire County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



03 - Audit Report

Our opinion on the financial statements

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to the members of Oxfordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
xx November 2020



04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £13.8 m which have been corrected by management that were identified during the course of our audit:

Note 28 - Private Finance Initiative (PFI)

We identified a formula error in the compilation of the PFI Note which has the following impact on the 2019/20 and 2018/19 figures. The service cost segregated between periods was incorrectly presented as the total liability instead of presenting as a balancing figure by subtracting principal repayments, interest costs and lifecycle replacement costs. This has resulted in the following adjustments.

2019/20:

- ▶ Within 1 Year: £16,572 k corrected to £17,061 k;
- ▶ Within 2-5 Years: £70,914 k corrected to £72,993 k;
- ▶ Within 6-10 Years: £50,224 k corrected to £27,350 k

2018/19:

- ▶ Within 1 Year: £20,307 k corrected to £16,607 k;
- ▶ Within 2-5 Years: £84,318 k corrected to £69,151 k;
- ▶ Within 6-10 Years: £66,617 k corrected to £42,659 k

A number of notes in the draft unaudited accounts have been amended as a result of the EY Technical Review of the financial statements. These include:

Narrative Report;

Accounting Policies;

Note 10 - Audit Fees;

Note 15 - Financing and Investment Income and Expenditure;

Note 16 - Financial Instruments;

Note 21 - Related Party Transactions;

Note 22 - PPE;

Note 28 - PFI

In addition to the amendments above, there were also adjustments to the draft accounts in relation to the collection fund entries which were received from the district councils after the draft accounts were produced. These adjustments affect the following notes:



- Debtors (Note 35), Creditors & Receipts in Advance (Note 39), Taxation and Non-specific Grant Income (Note 19), Collection Fund Adjustment Account (Note 27).
- There are currently no uncorrected misstatements greater than our reporting thresholds as per page 5.



Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the **Audit & Governance Committee** and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2020 (£000)	 Effect on the current period:	 Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors					
Judgemental differences: PPE Valuation (16 schools values were derived using modern equivalent asset approach, of which 9 had excess floor areas in comparison to the actual area of the schools, had the actual values been used the value of the schools in the statements would reduce by £4.4m)			-4,400		
Balance sheet totals			-4,400		

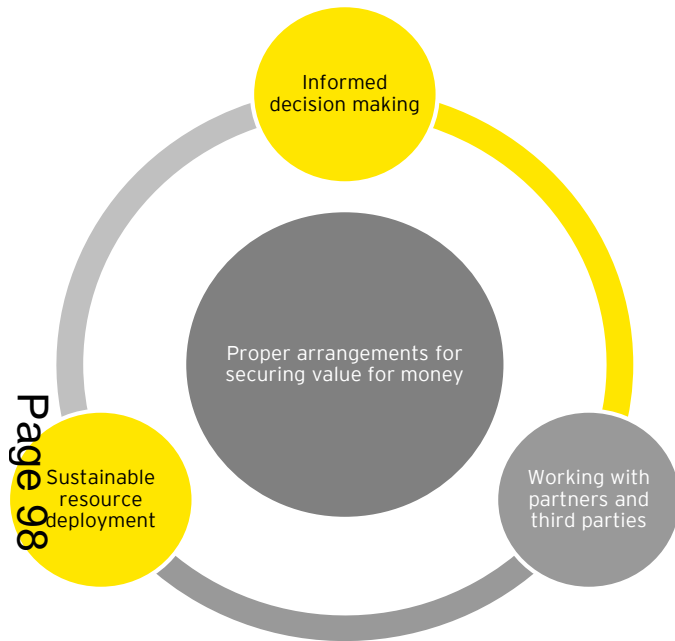
There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2020.



05 Value for Money



Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We did not identify any significant risks around these criteria, including consideration of Covid-19. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement. We found the Annual Governance Statement to be consistent with other information from our audit of the financial statements.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit & Governance Committee.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and

We have nothing we need to bring to the attention of the Audit and Governance Committee in respect of these Other Matters.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention/details of issues noted.



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – revenue recognition and management override

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

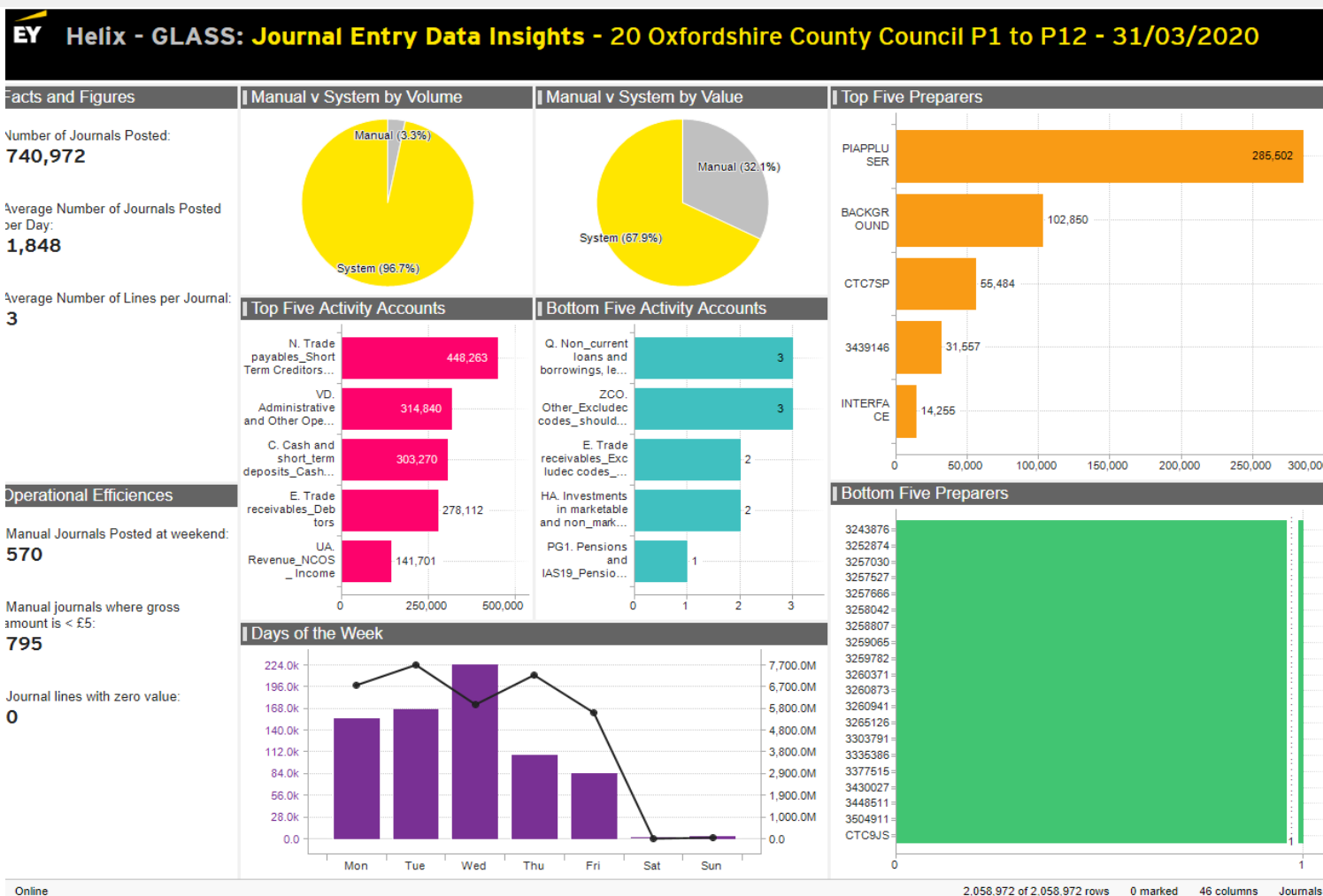


Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2019/20. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





Journal Entry Testing

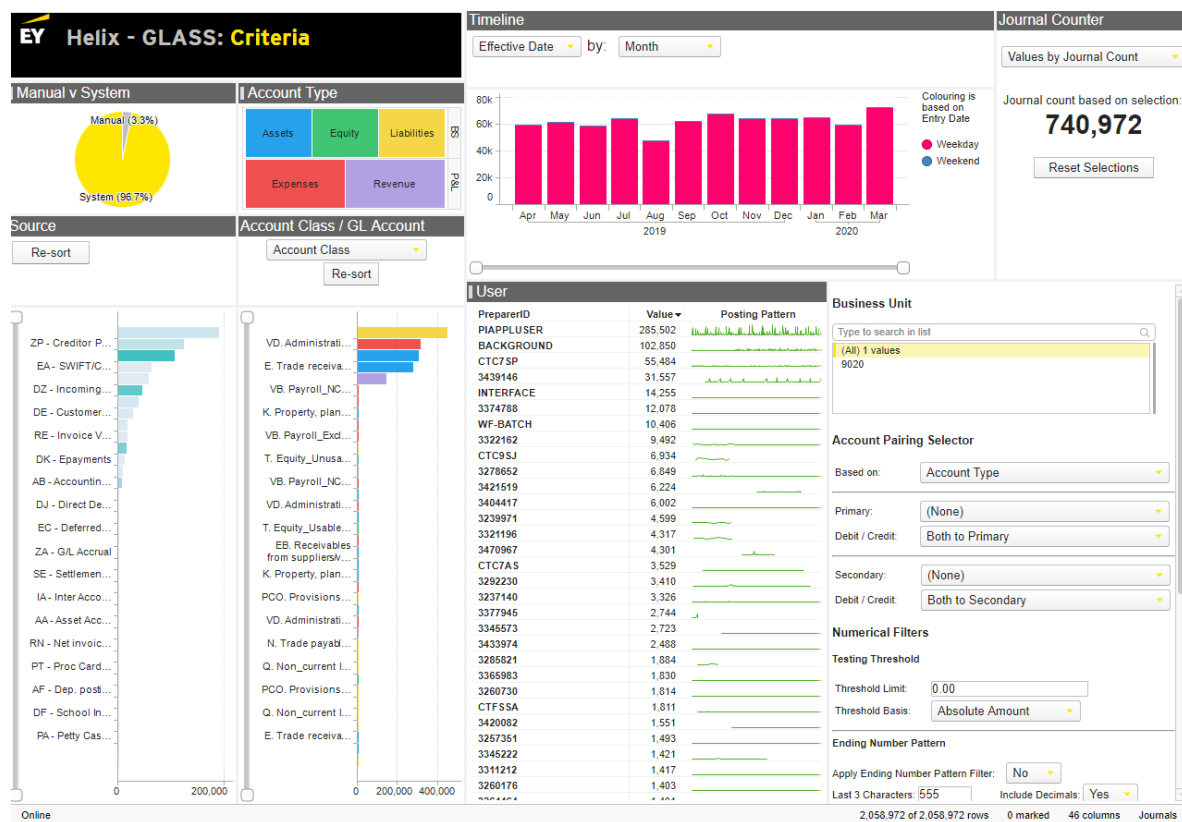
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – 31 March 2020

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute. Further detail of all fees has been provided to the Audit and Governance Committee with measurement against pre-approved limits.

We confirm that none of the services provided has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 05 March 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit & Governance Committee on 22 July 2020.

We confirm we plan to undertake non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd. We will apply the necessary safeguards in our completion of this work.

(*) The 18/19 Code work includes an additional fee of £12,500, which relates to additional work reviewing McCloud/GMP where we used EY Pensions specialists; IFRS 9 (Financial Instruments) material adjustment which required additional technical support, & extended income and expenditure testing. We have discussed the variation with officers, but are awaiting approval from PSAA

(**) The 18/19 work has been completed. For 19/20 the planned fee represents the base fee, i.e. not including any extended testing.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee - Code work	Note***	84,668***	97,168*
Other Objection - 2015/16	-	-	27,225
Other Objection - 2016/17	-	-	19,998
Total Audit Fees	Note***	84,668***	144,391
Non-audit work (Teacher's Pensions Certification)	TBC**	13,000	12,500
Total non-audit services	TBC**	13,000	12,500
Total fees	Note***	Note***	156,891

All fees exclude VAT

(***) The scale fee for 2019/20 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work on pages 7-15. In our planning report, we included an estimate of the range of the fee of between £100,000 to £120,000 to reflect those underlying costs. We have also incurred additional costs in addressing the increased risks associated with C 19, including asset valuations and the impact on the going concern assessment. We will discuss and agree a fee with management and PSAA, and communicate progress to the Audit & Governance Committee.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements

An absolute prohibition on contingent fees.

Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.

Permitted services required by law or regulation will not be subject to the 70% fee cap.

Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.

- A requirement for the auditor to notify the Audit & Governance Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit & Governance Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 1 April 2020.

To date we have not identified any non-audit services being provided to Oxfordshire County Council which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



10 Appendices



Appendix A

Audit approach update




We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded




Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix A

Balance sheet category 	Audit Approach in current year 	Audit Approach in prior year 	Explanation for change 
Trade receivables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Trade payables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Investments	Substantively tested all assertions	Substantively tested all assertions	No change
Tangible fixed assets	Substantively tested all assertions	Substantively tested all assertions	No change
Cash	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Borrowing	Substantively tested all assertions	Substantively tested all assertions	No change
Capital grants receipts in advance	Substantively tested all assertions	Substantively tested all assertions	No change
Pensions liability	Substantively tested all assertions	Substantively tested all assertions	No change

Appendix B





Summary of communications

Date 	Nature 	Summary 
25 September 2019	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss the 2018/19 audit and to confirm the planning arrangements for delivery of the 2019/20 audit.
15 January 2020	Meeting	The partner in charge of the engagement and other senior members of the audit team, met with the Audit & Governance Committee to understand the latest issues impacting Oxfordshire County Council.
20 February 2020	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss the 2019/20 audit and to understand the latest business operating environment.
20 May 2020	Report	The audit planning report and audit planning addendum, including confirmation of independence, was issued to the Audit & Governance Committee.
7 May 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit & Governance Committee and senior members of the management team to discuss the audit planning report and the audit plan addendum.
13 July 2020	Meeting	Preliminary Audit update meeting with the management team to discuss the preliminary findings of the draft audit results report.
15 July 2020	Report	The draft audit results report, including confirmation of independence, was issued to the Audit & Governance Committee.
22 July 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit & Governance Committee and senior members of the management team to discuss the draft audit results report.
Aug-Oct	Meeting	The audit team continued to liaise with the core finance team to conclude on a number of outstanding and ongoing areas of the audit
30 October 2020	Report	The draft audit results report, including confirmation of independence, was issued to the Audit & Governance Committee.
11 November 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit & Governance Committee and senior members of the management team to discuss the draft audit results report.





Appendix C

Required communications with the Audit & Governance Committee

There are certain communications that we must provide to the Audit & Governance Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you	
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.		The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.		Audit planning report presented at the 27 May 2020 Audit & Governance Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.		Audit planning report presented at the 27 May 2020 Audit & Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 		Audit results report presented at the 22 July Audit & Governance Committee; and also at the 11 November Audit & Governance Committee

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the Audit & Governance Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit & Governance Committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit planning report presented at the 27 May 2020 Audit & Governance Committee; and Audit results report presented at the 22 July Audit & Governance Committee & 11 November Audit & Governance Committee</p>



Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	We note the Covid-19 pandemic and we reference that in further detail within the Executive Summary and also in our audit report at section 3
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit & Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit & Governance Committee responsibility. 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Audit planning report presented at the 27 May 2020 Audit & Governance Committee; and Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit & Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit & Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance Committee may be aware of 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee






Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report presented at the 27 May 2020 Audit & Governance Committee; and Audit results report presented at the 22 July Audit & Governance Committee; and 11 November Audit & Governance Committee
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Cashflow	Final review of Cashflow to be completed	EY and management
Dedicated Schools Grant	Final clarification of impact of forecast DSG deficit on Council's medium term financial plans	EY and management
EY Technical Review	We are working through the EY technical review of the financial statements with management. A number of amendments have been agreed and there a small number remaining to be resolved.	EY and management
Journals	We have completed and work is subject to final review	EY
Pensions and IAS 19 Disclosures	We have received the final reports from our internal actuary and making our final assessment of the impact of McCloud and Goodwin on the 2019/20 financial statements	EY and management
Property, Plant and Equipment (PPE)	We have received some initial findings from our internal valuer and we have requested that the EY internal review an additional small sample of schools. Our valuer has all of the information and is concluding their review.	EY and management
EY Internal Consultation re: Covid-19	In light of Covid-19 all EY audit reports are subject to internal consultation. We have received responses to our questions and also additional supporting documentation and will consult internally on Going Concern	EY
Statement of accounts	Receipt and review of the final version of the accounts	EY and management
Management representation letter	Receipt of signed management representation letter	Management and Audit & Governance Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Whole of Government Accounts	Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission	EY and management

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
FAO: Janet Dawson
EY
More London Place
London
SE1 2AF

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This letter of representations is provided in connection with your audit of the council financial statements of Oxfordshire County Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council financial statements give a true and fair view of the Council financial position of Oxfordshire County Council as of 31 March 2020 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the council financial statements. We believe the Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because *[specify reasons for not correcting misstatement]*.

Management representation letter

Management Rep Letter (cont.)

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the Council financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the 27 May 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Management representation letter

Management Rep Letter (cont.)

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. No guarantees have been given to third parties.

E. Subsequent Events

1. Other than those described in Note X to the council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the council financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Going Concern

1. Accounting policy a) General Principles to the council financial statements discloses all of the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the council financial statements.

J. Reserves

1. We have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the asset valuations and net pension liability valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Asset Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.
2. We confirm that the significant assumptions used in making the asset valuation estimates appropriately reflect our intent and ability to carry out planned uses of assets valued.



Appendix E

Management representation letter

Management Rep Letter (cont.)

3. We confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Retirement benefits

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

Yours faithfully,



Director of Finance

Chair of the Audit & Governance Committee

Appendix F

Regulatory update

Since the date of our last report to the Audit & Governance Committee/Board, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Oxfordshire County Council 
Code of Audit Practice 2020	<ul style="list-style-type: none"> ▶ The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21. 	<ul style="list-style-type: none"> ▶ The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. ▶ Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> ▶ The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. ▶ This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. 	<ul style="list-style-type: none"> ▶ Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. ▶ Further updates will be provided when possible.
Independence	<ul style="list-style-type: none"> ▶ The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to companies that are UK Public Interest Entities (PIEs). This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed. 	<ul style="list-style-type: none"> ▶ We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which will be effective from 15 March 2020. Non-audit services which are in progress as at 15 March 2020 and are permitted under the existing ethical standard will be allowed to continue under the existing engagement terms until completed. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales. ▶ To date we have not identified any non-audit services which would be prohibited under the new standard.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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Oxfordshire Pension
Fund
Audit results report
Year ended 31 March 2020

November 2020

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11 November 2020

Dear Committee Members

We are pleased to attach an audit results report for the forthcoming meeting of the Audit and Governance Committee. This report is intended solely for the use of the Audit and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We have largely completed our audit of Oxfordshire Pension Fund for the year ended 31 March 2020, with a few outstanding queries remaining.

As set out on pages 5 and 20, a number of issues arose as a result of COVID-19 which had an impact on our work, and we have had to consider any potential impact on our audit report.

We would like to thank your staff for their ongoing help during the engagement, especially as they have themselves also needed to adapt to remote working and the pressures and strains that came with that. We are very grateful for their help.

We welcome the opportunity to discuss the contents of this report, or any other issues arising from our work with you, at the Audit and Governance Committee meeting on 11 November 2020.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

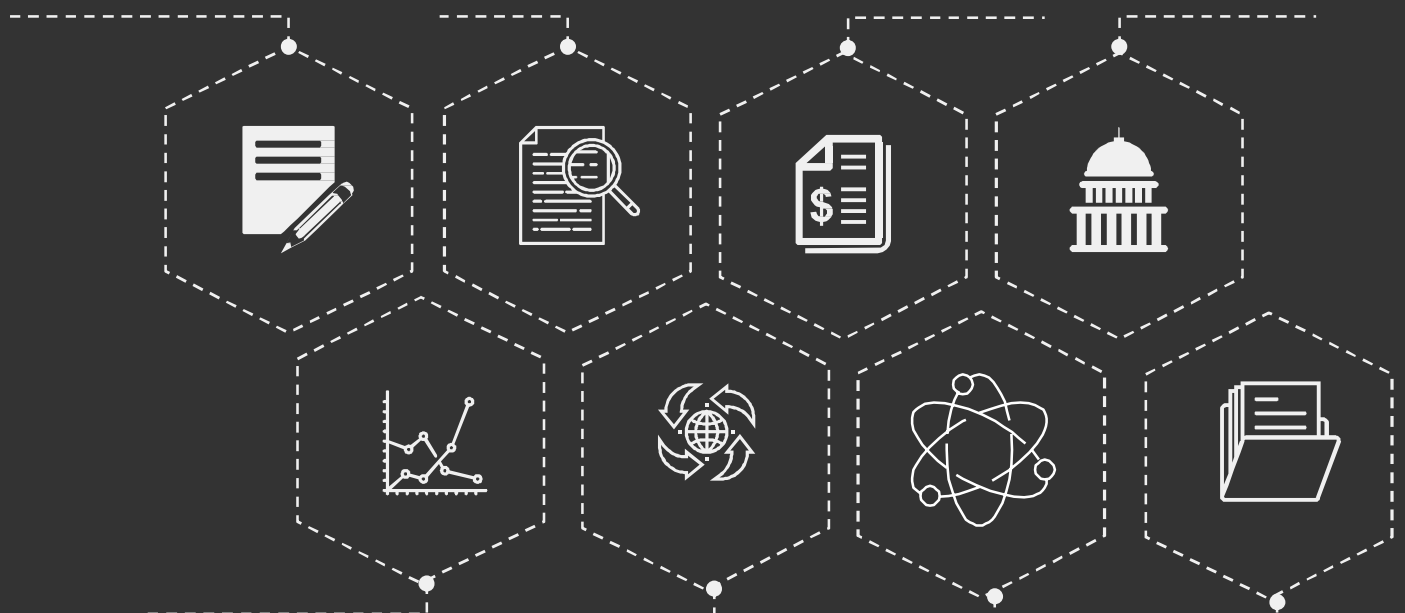
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02 Areas of Audit Focus

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05 Other reporting issues

06 Assessment of Control Environment

07 Independence

08 Appendices

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). It is available from the Chief Executive of each audited body and via the PSAA website.

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.



01 Executive Summary



Executive Summary

Scope update

In our audit planning report presented at the 27 May 2020 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to publication date for accounts, with an audit report if available, from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of COVID-19

- Valuation of Investments- financial markets have experienced some volatility even before the advent of COVID-19. The uncertain impact of the virus on markets has had an impact on pooled property funds with underlying property investments being subject to RICS 'material uncertainty' paragraphs in their valuation reports. There are also increased risks that market and economic trends may not be adequately reflected in assets classified as Level 3 – valued according to unobservable information. The Fund's officers have challenged valuations, especially those which are classified as level 3 (and are the most complex to value because of their nature, see p.11). We considered level 3 investment valuations to be a significant risk when we planned the audit, and COVID-19 has exacerbated the position.
- Disclosures on Going Concern – Financial plans for 2020/21 and medium term financial plans need revising for COVID-19. We considered that the unpredictability of the current environment gave rise to a risk that the Pension Fund would not appropriately disclose key factors relating to going concern, underpinned by management's assessment with particular reference to COVID-19 and the Fund's actual year-end financial position and performance.
- Events after the balance sheet date – We identified an increased risk that further events may occur after the balance sheet date concerning the current COVID-19 pandemic, which may well need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Pension Fund.

Changes to the scope of our audit as a result of COVID-19

- We followed up any potential impact of COVID-19 on how internal controls operated, and revisited the risks around the valuation of investments and how officers had challenged the valuations provided to them by their specialists.

Changes in materiality

In our Audit Planning Report, we stated that our audit procedures would be performed using a materiality of £25.1m, with performance materiality at 75% of overall materiality, £18.9m, and a threshold for reporting misstatements of £1.26m. We have considered whether any change to our materiality is required in light of COVID-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences as reported to you in our Audit Planning Report all remain appropriate.

We updated our planning materiality assessment using the draft financial statements. Based on our materiality measure of 1% of assets we have updated our overall materiality assessment to £23.6m. This results in updated performance materiality at 75% of overall materiality, of £17.7m, and an updated threshold for reporting misstatements of £1.18m.



Executive Summary

Status of the audit

We have largely completed our audit of the Pension Fund's financial statements for the year ended 31 March 2020. However there are some outstanding queries relating to the significant elements of work most affected by the Covid-19 pandemic.

We therefore need to complete key areas relating to:

- Confirmation of final level 3 investment balances and assurance on how they have been arrived at with regard to the impact of the Covid-19 pandemic;
- Subsequent events review
- Receipt of the signed management representation letter
- Final review of the updated financial statements and annual report following audit.

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Audit differences

There are no unadjusted differences arising from our audit at the current time.

We have identified a small number of audit differences in disclosures which have been adjusted by management. These all fall below the level at which we need to report them to you.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.



Executive Summary

Areas of audit focus

Our audit planning report identified key areas of focus for our audit of Oxfordshire Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and that is unknown to you.

We have adopted a fully substantive approach, so have not tested the operation of controls.

Other reporting issues

There are currently no other reporting issues for your attention.

Independence

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.



02 Areas of Audit Focus





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do and what judgements did we focus on?

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We:

- asked management about risks of fraud and the controls to address those risks;
- Ensured we understood the oversight given by those charged with governance of management's processes over fraud; and
- considered the effectiveness of management's controls designed to address the risk of fraud.

We also performed mandatory procedures regardless of specifically identified fraud risks, including:

- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- assessing accounting estimates for evidence of management bias; and
- evaluating the business rationale for significant unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

What are our conclusions?

Based on the work completed, we have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We have not identified any transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.



Areas of Audit Focus

Significant risk

Risk of inappropriate posting of investment valuation

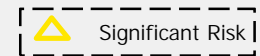
What is the risk?

Investment valuations are manually input on to the general ledger, so there is opportunity to manipulate the valuation of investments and the resulting investment income.

Manipulating investments would increase the net value of pension fund assets, and increase the investment returns recognised in year.

Total Investments for 2018/19 were £2,423m, and total investment income and change in market value of Fund assets in 2018/19 were £165m.

As our planning performance materiality was £18.9m, any manipulation over 0.8% and 11.5% would result in a material error to the value of investments.



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What did we do and what judgements did we focus on?

We:

- ▶ Reconciled the investment value to both the fund manager and custodian reports.
- ▶ Reviewed the investment accounts in the general ledger and investigated any unusual items
- ▶ Journal testing – we used our testing of journals to identify high risk transactions, such as items posted to investment or related accounts outside the normal process.

We also used our data analytics capabilities to assist our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

Based on the work completed, we have not identified any evidence of inappropriate accounting for investment values.



Areas of Audit Focus

Significant risk

Valuation of complex investments (Level 3 Fair Value hierarchy)

What is the risk?

Investments at Level 3 are those where at least one input that could have a significant effect on the asset's valuation is not based on observable market data (there were £130m level 3 investments in the 2018/19 financial statements).

Significant judgements are made by the Investment managers or administrators to value these investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements. The COVID-19 pandemic is such an event.

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What did we do and what management judgements did we focus on?

- We:
- are reviewing the latest available audited accounts for the relevant funds and ensuring there are no matters arising that highlight weaknesses in the fund's valuation;
 - where the latest audited accounts were not as at 31 March 2020, we have performed analytical and other procedures to assess the valuation for reasonableness against our own expectations; and
 - tested that accounting entries were correctly processed in the financial statements.
- We note that in the 2019/20 financial statements, pooled property assets were redefined as level 3 assets (from level 2 in previous years). As a result of the impact of COVID-19 on investments, many property valuers are issuing valuations for the underlying property assets including material uncertainty paragraphs in their valuation report, which increases the risk around valuation of these funds.

What are our conclusions?

Our work in this area is largely completed, with no issues arising to date. However we are waiting for a few returns for specific funds (five) currently outstanding.



Areas of Audit Focus

Other areas of audit focus

Valuation of level 2 investments

What is the risk?

Level 2 investments include pooled funds and private equity investments, where fair value is based on some elements of unobservable information.

There is a risk that the comparable inputs are not appropriate and valuation could be misstated.

What did we do and what management judgements did we focus on?

Page 142

We have reviewed these investments to quoted or traded prices, or whether applicable reviewed the latest available audited accounts for the relevant funds and ensured there are no matters arising that highlight weaknesses in the fund's valuation;

Where the latest audited accounts were not as at 31 March 2020 We have performed analytical procedures and checked the valuation input and output for reasonableness against our own expectations.

We note that pooled property funds defined in previous years as level 2 have been reclassified as (higher valuation risk) level 3 investments because of the effects of COVID-19, so we will include this in our level 3 work.

What are our conclusions?

Based on our work, we have not identified any issues in this area.



Areas of Audit Focus

Other areas of audit focus

Transfer of assets to the Brunel Partnership

What is the risk?

Brunel Pension Partnership was set up by Oxfordshire Pension Fund and nine other pension funds to oversee investment of pension fund assets and achieve savings over the longer term.

2018/19 was the first financial year where assets were transferred in exchange for units in the pooled fund. In 2019/20 a further £342m was transferred.

There is a risk that the transfer of assets is not complete.

What did we do and what management judgements did we focus on?

We reviewed reconciliations and post-transition reports from third parties to obtain assurance over the completeness of the transfer.

What are our conclusions?

Based on our work, we have not identified any issues in this area.



Areas of Audit Focus

Other areas of audit focus

Going Concern

What is the risk?

ISA 570 was revised in September 2019. The revised standard increases the work we are required to perform when assessing whether an entity is a going concern and means UK auditors will follow significantly stronger requirements than those required by current international standards. Whilst the standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, EY have revised current audit procedures, recognising the importance of the forthcoming revisions.

Financial plans for 2020/21 and medium term financial plans may need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the financial statements may not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Pension Fund's year end financial position and performance

What did we do and what management judgements did we focus on?

- Obtaining Management's going concern assessment and reviewing for any evidence of bias and consistency with the accounts;
- Reviewing the financial modelling and forecasts prepared by OPF. We considered and tested key assumptions, focusing on the reasonableness of the liquidity forecasts up to a date of 12 months after the expected signing date of the accounts and opinion. This assessment therefore needs to extend beyond the 2020/21 financial year, and into 2021/22;
- Ensuring that an appropriate going concern disclosure has been made within the financial statements; and
- Considering the impact on our audit report and comply with EY consultation requirements.

What are our conclusions?

Based on our work, we have not identified any issues in this area. The fund has adequate liquid assets for the foreseeable future.

However we are still finalising the requirements of our internal consultation process with our internal professional practice directorate.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL

Opinion

We have audited the pension fund financial statements for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the pension fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Oxfordshire County Council Statement of Accounts 2019/20 other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.



Audit Report

Draft audit report

Our opinion on the financial statements

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Finance

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on page 20, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Pension Fund either intends to cease operations, or have no realistic alternative but to do so.

Other information



Audit Report

Draft audit report

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Oxfordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
xx November 2020

The maintenance and integrity of the Oxfordshire County Council Pension Fund web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of differences

We highlight any misstatements greater than £17.7 million which have been corrected by management during the course of our audit. There are no corrected misstatements to bring to your attention.

We report to you any uncorrected misstatements greater than our nominal value of £1.18 million. There are no uncorrected misstatements to bring to your attention at this time.

Some minor disclosure amendments have been made which do not need to be brought to the Committee’s attention.



05 Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements.

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements is consistent with the audited financial statements.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Oxfordshire Pension Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations requested by us;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We currently have no matters to report.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to have proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained enough understanding of internal controls to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

We include below a summary of the fees that you have paid to us in the year ended 31 March 2020, in line with the disclosures set out in FRC Ethical Standard and in statute. Further detail of all fees has been provided to the Audit and Governance Committee with measurement against pre-approved limits.

We confirm that none of the services provided has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

07-Independence

Confirmation and analysis of audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 26 February 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by you as well as by us. It is therefore important that you and your Audit & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit & Governance Committee on 11 November 2020.

We confirm we plan to undertake non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd. We will apply the necessary safeguards in our completion of this work.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee – Code work	TBC	18,563*	18,563
IAS19 disclosure work	TBC	5,500	5,500
Triennial valuation work	TBC	1,500	N/A
Total Audit Fees	TBC	25,563	24.063

All fees exclude VAT

Note: the scale fee for 2019/20 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work on pages 5-13. Since completing our planning report, we have considered the impact on the fee to reflect those underlying costs. This has been modelled across Pension Funds for consistency, and we estimate a fee reflecting those costs fully would be in the range of £55,000 to £60,000 (and £10,000 for IAS19 disclosure work).

We have also incurred additional costs in addressing the increased risks associated with COVID-19, including asset valuations and the impact on the going concern assessment. We will discuss and agree a fee with management and PSAA, and communicate progress to the Audit & Governance Committee.



08 Appendices

Audit approach update

We are required to communicate whether there have been any changes to the audit of the net assets statement from the prior year audit. In 2019/20 we have again taken a fully substantive approach to the audit and there have been no significant changes to our approach, other than those necessitated by the potential impact of COVID-19 detailed elsewhere in this report.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items

Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix B

Summary of communications

Date 	Nature 	Summary 
Throughout the year	Meetings, calls and e-mails	The Manager has been in regular contact with the Director of Finance and relevant finance staff on the Fund's risks, accounts closedown and the audit approach.
<ul style="list-style-type: none"> 08/05/2019 committee 17/7/2019 committee 11/9/2019 committee 13/11/2019 committee 15/01/2020 committee 27/05/2020 committee 22/07/2020 committee 	Meetings and reports	<p>The Associate Partner and/or Manager have attended all meetings of the Audit and Governance Committee held during the year and through to the date of issue of this report.</p> <p>Specific reports issued and communications with the Audit and Governance Committee are detailed in Appendix C.</p> <p>Progress updates have been presented to each meeting, either verbally or in writing.</p>
<ul style="list-style-type: none"> 30/01/2020 26/02/2020 03/04/2020 12/05/2020 19/05/2020 	Meetings	<p>The Manager has met regularly with the Director of Finance and relevant staff throughout the year to discuss the audit of both County Council and Fund matters up to the date of issue of this report.</p> <p>During the Pension Fund final accounts audit we engaged directly with Fund staff at least weekly.</p>

In addition to the above specific meetings and letters the audit team met with the management team throughout the audit to discuss audit findings.




Appendix C

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	27 May 2020 Audit and Governance Committee – Audit Plan NB the plan was produced in February 2020 before lockdown changed the committee timetable. A verbal update was given to the May committee alongside the plan to take account of COVID-19 developments
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	27 May 2020 Audit and Governance Committee – Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> Our view on the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	22 July 2020 Audit and Governance Committee – provisional Audit Results Report 11 November 2020 Audit and Governance Committee – Audit Results Report

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Public Interest Entities / Major Local Audits	<p>For the audits of financial statements of public interest entities our written communications to the Audit and Governance Committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to Audit and Governance Committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	<p>27 May 2020 Regulation, Audit and Accounts Committee – Audit Plan and 22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Subsequent events	<ul style="list-style-type: none"> • Asking the Audit and Governance Committee where appropriate about whether any subsequent events have occurred that might affect the financial statements. 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Fraud	<ul style="list-style-type: none"> • Asking the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Pension Fund, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to committee responsibility. 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Pension Fund's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Pension Fund 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	<p>27 May 2020 Regulation, Audit and Accounts Committee – Audit Plan and</p> <p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Asking the Audit and Governance Committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations from management and/or those charged with governance 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	<p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	<p>27 May 2020 Audit and Governance Committee – Audit Plan and</p> <p>22 July 2020 Audit and Governance Committee – provisional Audit Results Report</p> <p>11 November 2020 Audit and Governance Committee – Audit Results Report</p>

Management representation letter

Oxfordshire Pension Fund – anticipated draft, based on the current position of the audit. Further representations may be required.

Management Representation Letter

xx November 2020

Kevin Suter
Associate Partner
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

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This letter of representations is provided in connection with your audit of the financial statements of Oxfordshire Pension Fund ("the Fund") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2019 to 31 March 2020 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2020, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the

Management representation letter

CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Management representation letter

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
 4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through 2019/20 to the most recent meeting of the Audit and Governance Committee on 11 November 2020.
 5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
 7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
 8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
 9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- D. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
 3. We have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note 25 to the financial statements all guarantees that we have given to third parties.
- E. Subsequent Events
1. Other than as disclosed in the financial statements, there have been no events (including events related to the COVID-19 pandemic) subsequent to period end which require adjustment of, or disclosure in, the financial statements or notes thereto.
- F. Other information
1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Oxfordshire Pension Fund Annual Report 2019/20.
 2. We confirm that the content contained within the other information is consistent with the financial statements.

Management representation letter

G. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.
2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31 March 2019 and dated 31 March 2020 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the investments held by the Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

Valuation of investments

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020.

We confirm that the significant assumptions used in making the investment valuations appropriately reflect our intent and ability to carry out the obligations of the Fund on behalf of the entity.

Management representation letter

2. We confirm that the significant assumptions used in making the investment valuations appropriately reflect our intent and ability to carry out the obligations of the Fund on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic, and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Going concern

The financial statements disclose all the matters of which we are aware relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Yours faithfully,

Lorna Baxter
Director of Finance

Cllr Nick Carter
Chairman of the Audit and Governance Committee

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ED None

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AUDIT and GOVERNANCE COMMITTEE – 11 November 2020 Counter-Fraud Arrangements

Report by the Director of Finance

RECOMMENDATION

1. **The committee is RECOMMENDED to comment and note the updated arrangements for Counter-Fraud.**

Executive Summary

1. This report presents the revised arrangements for Counter-Fraud. This supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

Background

2. At the September Audit & Governance Committee meeting the Counter-Fraud Strategy and Plan for 20/21 was presented. This included the objective to review joint working opportunities for the delivery of a Counter-Fraud Service across OCC (Oxfordshire County Council) and CDC (Cherwell District Council). The committee were updated on the plan of activity for 2020/21.
3. Since the of summer 2019, the Counter-Fraud service has been focussing on reactive investigations with limited opportunity to undertake proactive Counter-Fraud work. One of the Audit Managers in Internal Audit leads on Counter-Fraud, and it was planned to take approximately 50% of her time in managing this activity. Counter-fraud grant funding has been used to pay for additional support, which since 2019 has included the secondment of an "Investigations Officer" from Trading Standards. We have also invested in upskilling the Audit Manager who has undertaken Counter-Fraud training, and the development of the relationship with Trading Standards which has extended beyond just the secondment, but also sharing of intelligence and resources for fraud investigations.
4. This year has seen an increase in the workload for the team in relation to reactive investigations. Using the Internal Audit resource impacts on our ability to deliver the audit plans for both OCC and CDC and therefore it is acknowledged that the new arrangements require dedicated Counter-Fraud resource within the team.

Joint Service

5. A proposal for the creation of a joint working Counter-Fraud service across OCC and CDC has been approved by CEDR. The joint service will operate from April 2021 after the CDC contract ends with their current provider on 31 March 2021.
6. This will see the existing Internal Audit joint working arrangement extended to include Counter-Fraud where the service is provided by the OCC team jointly across both Councils. The team will be managed through OCC but will require an increase in staff resource to have the capacity to deliver the service. The updated Internal Audit and Counter-Fraud Structure Chart is included in Appendix 1. The new arrangements include for 2 Counter-Fraud Officers and 1 Intelligence & Data Officer (who will be supported to complete an apprenticeship intelligence analyst qualification).
7. Recruitment has already commenced to ensure that the new service can be fully operational before the end of the financial year.
8. The joint Finance management team of the Director of Finance (OCC and CDC), Assistant Director of Finance (CDC), and Assistant Director of Finance (OCC) will oversee the performance and growth of the service and agree the annual budget plans.
9. Quarterly updates to both the Audit and Governance Committee and the Audit Working Group will continue, reporting on activity in relation to OCC.
10. We will continue to work closely with Trading Standards, sharing resources and intelligence.
11. The joint working arrangement presents an excellent opportunity to strengthen both Councils' approaches to the prevention and detection of fraud. Both Councils have similar anti-fraud and corruption policies and a zero tolerance to fraud. The inherent risk of fraud across both Councils' services is high, both from external sources, but also internal corporate fraud. Whilst systems and controls are generally sound, fraud remains a risk. Fraud risk is also a high priority for the Government.
12. The table below provides an update on the overarching objectives for Internal Audit - Counter Fraud in 2020/21 and the actions supporting these.

Objective	Actions	Update
Strategic: Implement agreed Proposal for Counter Fraud arrangements	1. Explore joint working opportunities between OCC-CDC 2. Produce and agree Proposal for joint working	New model of joint working approved by CEDR Sept 2020. To be fully operational by new financial year.
Capability	3. Implement the agreed	This has included the

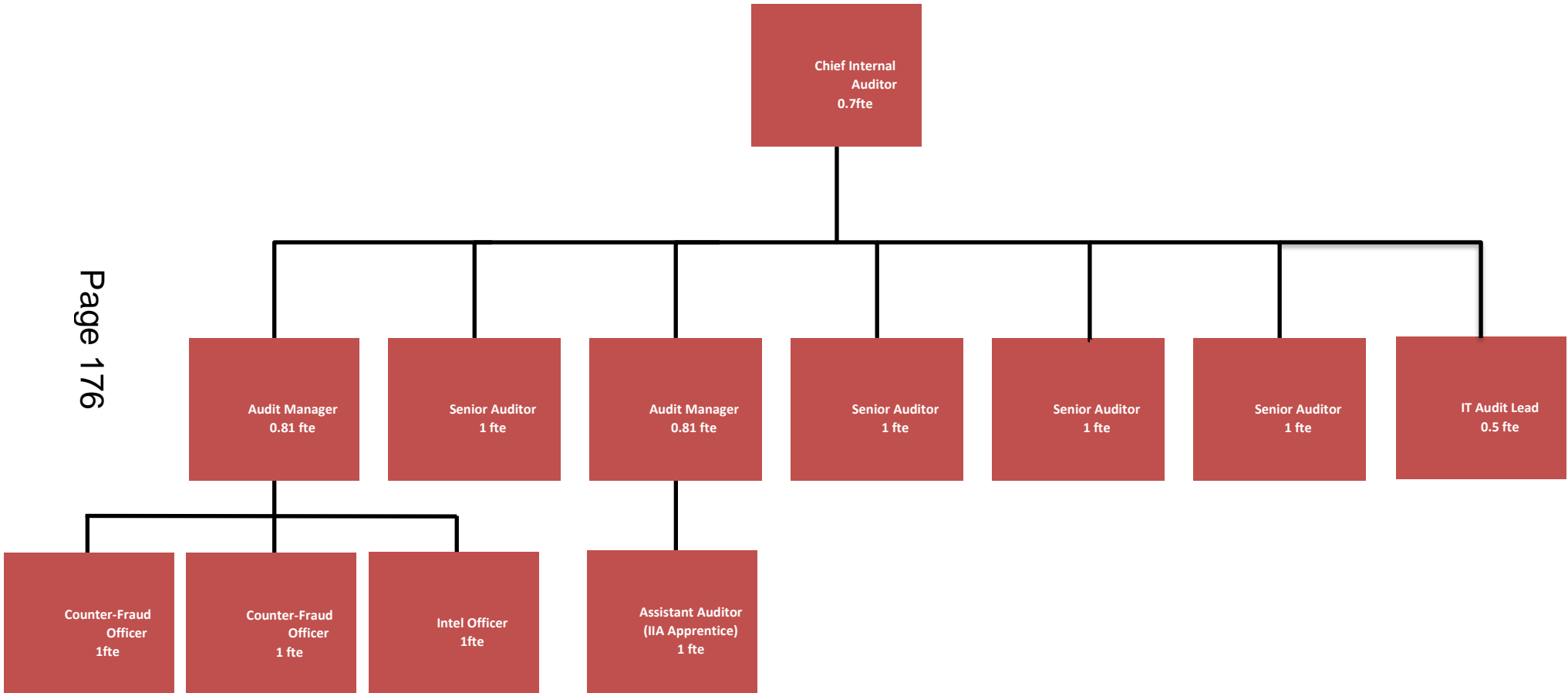
Capacity Competence	structure and working arrangements, including processes and performance monitoring	approval of 3 dedicated Counter-fraud posts – 2 Counter-Fraud Officers and one Intel Officer. Work now in progress to develop operational processes and define performance monitoring system.
Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council. Culture Capability Communication Collaboration	<ol style="list-style-type: none"> 1. Establish and routinely update a Fraud Risk Assessment 2. Deliver fraud awareness training 3. Undertake joint fraud/audit exercises 4. Participate in Council initiatives to reduce fraud exposure 5. Fraud comms 	Fraud Risk Assessment for OCC commenced which will inform fraud awareness training and joint exercises.
Reactive: Manage fraud referrals and investigations Competence Collaboration	<ol style="list-style-type: none"> 1. Manage fraud referrals 2. Investigate 3. Implement appropriate sanctions 4. Work with partner agencies and teams. 	Currently 32 open cases for OCC, all under investigation.
Data: Use data to detect and prevent fraud Capability Competence	<ol style="list-style-type: none"> 1. Undertake the 2020 NFI data upload 2. Close down the remaining data match investigations from previous NFI 3. Embed data analytics into the new Proposal and model 	2020 NFI upload is underway, to be completed in November.

LORNA BAXTER
Director of Finance

Background papers: None. Contact Officer: Sarah Cox, Chief Internal Auditor 07393 001246

Internal Audit and Counter Fraud Structure Chart 2020/21

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Division(s):

AUDIT AND GOVERNANCE COMMITTEE – 11 November 2020

REDMOND REVIEW INTO LOCAL GOVERNMENT AUDIT

Report by Director of Finance

RECOMMENDATION

1. **The Audit and Governance Committee is RECOMMENDED to note the findings of the Redmond Review.**

Executive Summary

2. In July 2019, upon the request of the Ministry of Housing, Communities and Local Government (MHCLG), Sir Tony Redmond commenced an independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England. The review received 156 responses to the Calls for Views and carried out more than 100 interviews. The report arising from the review was published on 8th September 2020. [The full report is published at GOV.UK.](#)
3. The Review examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.
4. The Review identified four key themes for change:
 - Local Audit Arrangements
 - Current Fee Structure for External Audit
 - Governance Arrangements
 - Transparency and reporting
5. The Review contains 23 recommendations over four categories:
 - External Audit Regulation
 - Financial Resilience of local authorities
 - Smaller Authorities Audit Regulation (Not Applicable to the County Council)
 - Transparency of Financial Reporting
6. Full implementation of the recommendations will require a new Act of Parliament and / or amendment to the Local Audit and Accountability Act 2014, Accounts and Audit Regulations 2015. Statutory guidance will also need to be amended, including the Code of Practice on Local Authority

Accounting in England and Wales. MHCLG has committed to careful consideration of the recommendations proposed but has not yet set out a timeline or commitment to implementation.

Introduction

7. In July 2019, the then Secretary of State for the Ministry of Communities, Housing and Local Government, James Brokenshire commissioned a review of the arrangements in place to support the transparency and quality of local authority financial reporting and external audit including those introduced by the Local Audit and Accountability Act 2014. Sir Tony Redmond was appointed to undertake the review due to his experience in the Local Government sector and former role as President of the Chartered Institute of Public Finance and Accountancy (CIPFA).
8. A Call for Views was launched in September 2019 and received 156 responses and more than 100 interviews were carried out. The report arising from the review was published on 8th September 2020. [The full report is published at GOV.UK](#)
9. The Review was carried out in the context that Local Government in England is responsible for 22% of total UK public sector expenditure making it essential that local authority financial reporting is of the highest level of transparency to allow taxpayers to understand how their money is being spent. The Review examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.
10. The key findings of the Review, summary of recommendations, and potential implications for the Council are set in this report.

Key Findings of the Review

11. The key findings of the Review can be summarised into four themes:
 - (i) **Local Audit arrangements** – The most significant finding is the lack of coherence in local audit arrangements including in the approach to procuring audit services. There were serious concerns regarding effectiveness of local audit which is in part due to the current fee structure.
 - (ii) **Current Fee Structure** – The Review estimated that the cost of External Audit is 25% less than it should be and as a result the quality of auditors has reduced. There is also concern auditors do not have the experience or knowledge of local authorities. Evidence was considered that 40% of local authority audits were not completed by the 31 July deadline for 2018/19.

- (iii) **Governance arrangements** – The Review questioned whether Audit Committees understand the issues to question and challenge in an effective way and noted that there are relatively low number of independent Audit Committee members and little communication between Audit Committee and inspectors with no formal exchange of views. There seems to be no real relationship between Audit Committee and Full Council with very few audit reports going to Council. The Review questions the role of three statutory officers (Head of Paid Service, Monitoring Officer and Section 151 Officer) in relationship to Audit and in particular whether they engage with auditor together on an informal or formal basis. The Review noted that Internal Audit is not currently utilised effectively by External Audit as the Audit code of practice does not require them to liaise with the Internal Audit function. The Review also noted that there is not always sufficient expertise amongst staff involved in completing the year end accounts process.
- (iv) **Transparency and reporting** – The Review concluded that the current arrangements do not enable the general public to understand the statement of accounts and found that more can be done to improve the transparency of what local authorities do. Consideration was given to simplifying the accounting framework for local government accounts, however this was not considered appropriate in the context of local authorities becoming more commercial in their operations.

Review Recommendations

12. The Review Recommendations are set out in full at Annex 1. The Review contains 23 recommendations across four categories of which three categories and 19 recommendations apply to the production of the Council's accounts and external audit. The remaining category, containing three recommendations applies only to smaller authorities with an annual turnover of under £6.5m. Recommendation 23 also applies only to smaller authorities.

External Audit Regulation

13. The central recommendation of the Review is for the creation of a new body, the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit with the following key responsibilities:
- procurement of local audit contracts;
 - producing annual reports summarising the state of local audit;
 - management of local audit contracts;
 - monitoring and review of local audit performance;
 - determining the code of local audit practice; and
 - regulating the local audit sector.
14. The review also focusses on the sustainability of the external audit market, the skills within the audit team and the level of audit fees. The review sets out recommendations to address these issues.
15. Public Sector Audit Appointments (PSAA) was incorporated by the Local Government Association (LGA) in 2014 and has been specified by MHCLG as

an 'appointing person' under provisions of the Local Audit and Accountability Act 2014. PSAA appoints external auditors to local authorities and is responsible for the statutory function of setting audit fees, including the current practice of agreeing fee variations for additional audit work. It is recommended that the responsibilities of this body be discharged by the OLAR which will set a fee structure that will 'ensure that adequate resources are deployed to meet the full extent of local audit requirements' and that the quality of the audit will 'be consistent with the highest standard of audit within the revised fee structure.'

16. A number of other recommendations are made in this category, including that, where appropriate, external audit should use the work of Internal Audit to support their conclusion. The report recognizes that internal auditors are much closer to the business than external audit, providing a 'rich source of knowledge' and work which focuses on governance and service delivery matters.
17. The Review recommends that the deadline for the completion of audits be extended from 31 July to 30 September to enable more time for the audit to take place and to make easier for audits to be resourced. This proposal would require an amendment to the Accounts and Audit Regulations 2015.
18. Not all recommendations require a change to statute and some recommendations could be adopted based on local decisions such as:
 - Formalising the facility for the Chief Exec, Monitoring Officer and Chief Finance Officer to meet with the Key Audit Partner at least annually, and;
 - Appointing at least one suitably qualified independent member to the Audit Committee
19. It is also recommended that the external auditors should report to Full Council annually in September in addition to the current practice of reporting to Audit Committees. They should report to all members on risks identified and conclusions reached in a transparent and understandable format to reduce the risk that a majority of elected members may not be sighted on serious governance or financial resilience issues.

Financial Resilience of local authorities

20. Under the current regulations there is no specific responsibility for auditors to provide an opinion on whether a local authority is financially sustainable. The Review recommends that MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained and that key concerns relating to service and financial viability be shared between Local Auditor and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.
21. The Review considers a number of possible frameworks for assessment including CIPFA's Pillars of Financial Resilience and the Financial Management Code of Practice (FM Code). Although not prescribed in the formal recommendation, the Review notes that MHCLG could give the FM

Code statutory status and require local authorities to report on compliance with the Code in their Annual Governance Statement with auditors expected to report on material breaches.

Transparency of Financial Reporting

22. The Review recommends the development of a new 'Summarised Accounts' or 'Simplified Statements' that are prepared on the budget setting basis and reconcilable to the Council Tax Requirement. These accounts would:
 - include a standardised statement of service information and costs, perhaps based on the statutory Service Reporting Code of Practice (SERCoP)
 - be reconcilable to the Statutory Accounts
 - be subject to audit.
23. The objective of creating these additional statements is to increase transparency and, as a short stand-alone document, would be accessible to taxpayers and service users. There may also be an opportunity to remove some of the existing statements and disclosures within the statement of accounts that reconcile the outturn position, funding position and IFRS accounting basis, although it is noted that the work to complete the reconciliation would still need to be undertaken.
24. The Primary Legislation for the Local Authority Accounting Framework is the Local Government Act 2003 which allows the Secretary of State to make provision about accounting practices that local authorities must follow. The Secondary Legislation is the Capital Finance and Accounting Regulations 2003 which gives CIPFA the power to produce a statutory accounting code. This means that CIPFA can take forward this recommendation through revisions to the Accounting Code of Practice without amendments to primary or secondary legislation. In practice, this would be done in consultation with the Financial Reporting Advisory Board (FRAB) which advises HM Treasury on public sector accounting.

Recommendations into practice

25. If adopted in full, the review recommendations have an impact on the preparation of the annual statement of accounts and the annual audit process which will have resource implications for the Council. The degree to which this applies will depend on how many of the recommendations are taken forward.

External Audit Regulation

26. The creation of the OLAR is estimated to cost in the region of £5m per year. Identifying funding for this is outside of the scope of the recommendations. In terms of the proposal to review the audit fee, the PSAA already has the ability to agree fee variations and it is common for additional fees to be agreed. At this stage it is difficult to estimate how significant a fee increase would be for individual authorities after taking account of these additional fees.

27. The proposed extension of the audit deadline from 31 July to 30 September could have a detrimental impact on resources in the finance team with staff leave over the summer period needing to be balanced with the audit requirements and impacting on the team's ability to move onto other areas work.
28. The recommendation for external audit to place reliance on the work of internal audit may help to decrease the level of audit activity although this could also impact on the internal audit work plan.

Financial Resilience of local authorities

29. It is acknowledged in the Review that expanding the scope of the audit will increase audit costs (both in terms of the audit fee and resource to respond to audit queries) but concludes that the expansion of the opinion to encompass financial resilience and sustainability would, potentially, provide comfort to the authority and to council taxpayers that the finances are in good order.
30. The impact on resources will not be clear until MHCLG set out a proposed assurance framework. However, if the framework is consistent with the suggestions set out in the Review, this should not create a significant resource requirement. Although the FM Code does not have statutory status, the Council is already planning to self-assess and report on compliance with the code to the Audit & Governance Committee.

Transparency of Financial Reporting

31. The introduction of an additional financial statement is likely to create additional work for the finance team. Although the review makes recommendations about extending the audit period there is no recommendation to extend the date for the publication of the draft accounts beyond the 31 May, concentrating further work into an already short period of time.
32. The Review does not comment on other external reporting completed by local authorities. The Council already produces an outturn report which is reconciled to the budget set by Council in February and reported to Cabinet in May or June following the 31 March. In addition, all local authorities are required to complete the Revenue Outturn report to MHCLG which is based on the SERCoP. There is a risk that the addition of another reporting format may create duplication and further confusion for residents.

Responses to the publication of the review

33. In the press release announcing the publication of the review, the Secretary of State for Communities, Housing and Local Government stated that 'This government remains committed to a locally-led audit regime, alongside robust local scrutiny and local accountability by the press and public.' MHCLG will 'carefully consider the recommendations proposed, which will play an important strategic role in strengthening the overall framework for local

accountability.’ However, a timeframe for this has not been set out and no formal commitment has been made to implement the recommendations.

34. The Chief Executive of CIPFA, Rob Whiteman welcomed the recommendations in the Review, including the creation of the new audit body to ‘ensure a stable future for local public audit that is currently at risk.’ Whiteman also praised the proposed new financial reporting requirements which ‘would support more effective communication of the often-complex financial affairs of local authorities.’
35. CIPFA have sought stakeholders’ views on the impact of the recommendations and other commentaries of the Review on local authority financial reporting and the strategic plan for the development of the Code in its consultation on the 2021/22 Code of Practice which closed on 23 October.
36. The PSA has issued a response to the Review which is broadly supportive of the report. However, the response also raised concerns that structural reorganisation, including the creation of the OLAR, would take time and would therefore not resolve the current challenges facing the audit sector. It is also unclear where the additional resources will come from to fund investment in external audit.

Financial Implications

37. There are no financial implications arising directly from the Redmond review. As set out above, if recommendations in the Redmond review are adopted by MHCLG and CIPFA there may be an impact on the cost of External Audit and the level of resource required within the finance team.

Legal Implications

38. There are no legal implications arising directly from the Review. However, the Council will need to ensure that arrangements are put in place to comply with any amendments to the Local Audit and Accountability Act 2014, Accounts and Audit Regulations 2015 and statutory guidance, including the Code of Practice on Local Authority Accounting in England and Wales.

LORNA BAXTER
Director of Finance

Background papers: None

Contact Officer: Hannah Doney, Head of Corporate Finance (Deputy Section 151)
07584174654
November 2020

Summary of Review Recommendations

External Audit Regulation

1.	A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities: <ul style="list-style-type: none"> • procurement of local audit contracts; • producing annual reports summarising the state of local audit; • management of local audit contracts; • monitoring and review of local audit performance; • determining the code of local audit practice; and • regulating the local audit sector.
2.	The current roles and responsibilities relating to local audit discharged by the: <ul style="list-style-type: none"> • Public Sector Audit Appointments (PSAA); • Institute of Chartered Accountants in England and Wales (ICAEW); • FRC/ARGA; and • The Comptroller and Auditor General (C&AG) to be transferred to the OLAR
3.	A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.
4.	The governance arrangements within local authorities be reviewed by local councils with the purpose of: <ul style="list-style-type: none"> • an annual report being submitted to Full Council by the external auditor; • consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and • formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually
5.	All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
6.	The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
7.	That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
8.	Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work
9.	External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
10.	The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
11.	The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.
12.	The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
13.	The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

Smaller Authorities Audit Regulation (Not Applicable to the County Council)

14.	Smaller Authorities' Audit Appointments Ltd (SAAA) considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.
15.	SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.
16.	SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.

Financial Resilience of local authorities

17.	MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.
18.	Key concerns relating to service and financial viability be shared between Local Auditor and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.

Transparency of Financial Reporting

19.	A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.
20.	The standardised statement should be subject to external audit.
21.	The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.
22.	CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.
23.	<p>Joint Panel on Accountability and Governance (JPAG) be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:</p> <ul style="list-style-type: none"> • Whether "Section 2 – the Accounting Statements" should be moved to the first page of the AGAR so that it is more prominent to readers; • Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and • Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.

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AUDIT & GOVERNANCE COMMITTEE – 11 November 2020

REPORT OF THE AUDIT WORKING GROUP – 21 October 2020

Report by Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the report.**

Executive Summary

2. The Audit Working Group met on 21 October 2020. The group received an update on corporate risk management arrangements and also on the directorate risk management arrangements within Adults. Officers attended to provide updates on the implementation of the agreed actions plans from previous audits of Mental Health, Oxford City Agency Agreement and also Children's ContrOCC Payments.

Introduction

Attendance:

Full Meeting: Chairman Dr Geoff Jones Councillors: Nick Carter, Roz Smith, and Charles Mathew.

Ian Dyson, Assistant Director of Finance; Sarah Cox, Chief Internal Auditor, Lucy Tyrrell, Committee Officer, Katherine Kitashima, Audit Manager, Erin Cribben, Assistant Auditor.

Part Meeting:

Councillors: Deborah McIlveen

Louise Tustian – Head of Insight and Corporate Programmes, Celia Prado-Teeling – Team Leader, Performance, Steve Thomas – Performance Information Manager, Karen Fuller – Deputy Director of Adult Social Care, Jason Russell – Interim Director of Community Operations, Paul Fermer – Assistant Director of Community Operations, Lara Patel – Deputy Director for Safeguarding, Hannah Farncombe – Deputy Director for Children's Social Care

Matters to Report:

AWG 20.18 Internal Audit Update Corporate Risk Register Arrangements (incl Leadership Team Risk Register)

3. The group received an update on OCC's risk management work, including the Risk and Opportunities Strategy and accompanying Risk Development Plan, noting this would start to be implemented from quarter three to implement and embed the strategy across the organisation. The group noted there were a

number of areas in the risk development plan that required additional work.

4. The group also reviewed the Leadership Risk Register, which contains the Council's most significant risks, which are closely managed and reported on each month into CEDR as part of the Council's Business Management and Monitoring Reports. The group discussed some of the individual risks and process for current scoring of current and residual risk scoring.
5. The group agreed to receive a further update on the implementation of the Risk Development Plan at the AWG February 2021 meeting.

AWG 20.19 Directorate Risk Management Arrangements - Adults

6. The group received an update on the risk management arrangements within Adults, which included review of the current Adults operational register. The group noted the processes within Adults for the regular review of risk management information, including the current refresh to consider the proximity of risk.
7. The group discussed in detail a number of the individual risks, the scoring and mitigation plans and were satisfied with the arrangements currently in place.
8. It was agreed that each Directorate will continue to attend the meeting on a rotational basis.

AWG 20.20 Mental Health

9. The group received a further update on the progress in addressing the weaknesses identified during the audits completed during 2016/17 and 2017/18. The group noted that the majority of actions are now complete with all, but one action expected to be completed following the Mental Health Provider JMG meeting on 22 October 2020. The group were satisfied with the significant progress made and no longer require further updates from officers.

AWG 20.21 Oxford City Agreement Update

10. The audit of Oxford City Agency Agreement was finalised October 2019 and first reviewed by the AWG at the December 2019 meeting. Officers attended the October 2020 meeting, to update the group regarding the completion of the agreed action plan and the results of the best value review recently undertaken. The group acknowledged the work undertaken as part of the value for money review which assessed the cost, quality, outcomes and customer satisfaction of the arrangement. The group were satisfied regarding the implementation of actions from the original action plan agreed within the Internal Audit report.

AWG 20.22 Children's ContrOCC Payments

11. The 2019/20 audit of Children's ContrOCC Payments, finalised in May 2020 with the overall grading of Red, was presented and considered by the June AWG meeting. The audit identified issues with the integrity of data and accuracy of payments, following the implementation of the new system in June 2019
12. Officers attended the October 2020 meeting to provide the group with a further update regarding the agreed action plan and implementation progress. The group noted concerns regarding the progress with implementation of some actions and that target dates had been extended. Officers provided assurance that significant work was in progress and processes were being improved, with action already taken to address the priority areas of weakness.
13. The AWG have asked that officers provide an update report to be circulated for the December 2020 meeting, to report progress on the implementation of the agreed actions and also provide performance data which demonstrates the positive impact that improvements have already made. There is a planned follow up audit for quarter 4 of 2020/21.

LORNA BAXTER

Director of Finance

Contact Officer: Sarah Cox, Chief Internal Auditor

September 2020.

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Date of next AWG meeting Wednesday 16 December 2020 at 14:00

Agenda items for AWG December meeting:

- Internal Audit Update
- Direct Payments
- Annual Whistleblowing Report
- Interim update on Children's ContrOCC Payments.

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AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2020/21

13 January 2021

Constitution Review (Steve Jorden/Glenn Watson)
Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22 (Lorna Baxter/Tim Chapple)
Financial Management Code (Lorna Baxter)
Cyber Security/Cyber Scams (Tim Spiers)
Internal Audit Plan – Progress Report (Sarah Cox)

03 March 2021

Ernst & Young – Progress Report inc. Audit Plan (Janet Dawson)
Scale of Election Fees and Expenditure (Glenn Watson)
Audit & Governance Committee Annual Report to Council 2020 (The Chairman)
Progress update on Annual Governance Statement Actions (Glenn Watson)
Counter-fraud Update (Sarah Cox and Tessa Clayton)

12 May 2021

Annual Governance Statement (Glenn Watson)
Annual Report of the Chief Internal Auditor 2020/21 (Sarah Cox)
Internal Audit Strategy & Annual Plan 2021/22 (Sarah Cox)
Annual Scrutiny Report (Robin Rogers)
Ernst & Young - Progress Report (Janet Dawson)
OFRS Statement of Assurance 2020-21 (Don Crook)
Draft narrative statement and Accounting Policies for inclusion in the Statement of Accounts (Hannah Doney)

21 July 2021

Statement of Accounts 2020/21 (Hannah Doney)
Ernst & Young – Final Accounts Audit (Janet Dawson)
Treasury Management Outturn 2019/20 (Tim Chapple)
Internal Audit Charter (Sarah Cox)
Counter-fraud Plan 2021/22 (Sarah Cox)

Standing Items:

- Audit Working Group reports (Sarah Cox)
- Audit & Governance Committee Work Programme – update/review (Committee Officer/Chairman/relevant officers)

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