

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 10 May 2023 commencing at 2.00 pm and finishing at 4.01 pm

### **Present:**

**Voting Members:** Councillor Roz Smith – in the Chair

Councillor Brad Baines (Deputy Chair)

Councillor Yvonne Constance OBE

Councillor Trish Elphinstone

Councillor Ted Fenton

Councillor John Howson

Councillor Ian Middleton

Councillor Judy Roberts

**Other Members in Attendance:** Dr Geoff Jones (Co-Opted Member) and Councillor Calum Miller (Cabinet Member for Finance, for agenda items 7 to 10).

### **By Invitation:**

### **Officers:**

Whole of meeting Lorna Baxter (Director of Finance), Anita Bradley (Director of Law & Governance and Monitoring Officer), Sarah Cox (Chief Internal Auditor), Paul Grant (Head of Legal and Deputy Monitoring Officer), Simon Harper (Head of Governance) and Jonathan Deacon (Interim Democratic Services Officer).

Part of meeting Melissa Sage (Head of Procurement Contract Management) for agenda item 8. Georgina Cox (Principal Auditor) and Katherine Kitashima (Audit Manager) for agenda items 5 and 6.

Adrian Balmer and Maria Grindley of Ernst & Young also in attendance.

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting 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.*

### **30/23 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Apologies for absence were received from Councillor Nick Leverton and Councillor Freddie Van Mierlo. Councillor John Howson substituted for Councillor Van Mierlo.

### **31/23 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 2)

There were none.

### **32/23 MINUTES**

(Agenda No. 3)

The Committee approved the minutes of the meeting held on 15 March 2023 and authorised the Chair to sign them as a correct record, subject to an amendment that a reference to 'Audit & Scrutiny Committee' in the fourth paragraph of the final item 'Renewal of the Appointment of Independent Persons' was replaced with 'Audit & Governance Committee'.

The Committee had also received an amended Annex of the Election Fees paper which was noted at the meeting in March. The updated version corrected the fact that in the original version the fee for the Deputy Returning Officer role for 2-member divisions (paragraph 8) had been decreased from £190 in 2023 to £118.50. The actual figure was an increase to £205.

#### **ACTIONS:**

- 1) The Director of Law & Governance to review the wording of 'Actions and behaviours taken by the Council that demonstrate good governance' in Appendix A of the report taken from the CIPFA and SOLACE guidance and framework and provide a response to the Committee (Anita Bradley).
- 2) The action from the March meeting that the Chief Internal Auditor considers with the Director of Law & Governance whether more in-depth analysis could be provided on responses to whistleblowing cases at a future Audit Working Group meeting and also how much detail could be provided on the counter fraud sum recovered and what percentage this was of losses overall to be linked with the Working Group meeting when further information is provided on Counter Fraud (Sarah Cox / Anita Bradley).

### **33/23 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

There were none.

### **34/23 CHIEF INTERNAL AUDITOR'S ANNUAL REPORT**

(Agenda No. 5)

Sarah Cox, Chief Internal Auditor, presented the item. She stated that she had provided an opinion on the Council's System of Internal Control and it is one of the sources of assurance for the Annual Governance Statement. She had found that

there was satisfactory assurance regarding Oxfordshire County Council's overall control environment and the arrangements for governance, risk management and control. Ms Cox explained that in addition to the annual self-assessment against the standards being completed by the Chief Internal Auditor, it was a requirement of the Public Sector Internal Audit Standards 2017 (PSIAS) for an external assessment of internal audit to be completed at least every five years. The external assessment had been booked for the beginning of October 2023. The results would be reported to the January 2024 Audit & Governance Committee meeting.

Ms Cox provided an update on the staffing vacancy. This had been backfilled to some extent using an external firm and an employee returning to the Council on a part time basis as Principal Auditor. Efforts would continue to be made to appoint a Senior Auditor. The vacancy had impacted on the delivery of the 2022/23 revised plan as it had not been possible to complete seven audits by the end of April. However, the revised plan had now been completed, subject to these audits at exit meeting / draft report stage being finalised by the end of May. It had been possible to deliver a sufficient amount of the plan to provide the overall opinion. An executive summary of the seven audits would be submitted to the next meeting of the Committee in July.

Ms Cox also referred to the one audit which had been graded 'red' in 2022/23. This had been for a school which had financial management and governance concerns. A new headteacher was in post now and most of the management actions arising from the audit report had been implemented. Due to its confidential nature, further information relating to this matter was likely to be provided to the Audit Working Group.

In response to a question on what impact there had been as a result of the staffing vacancy on the monitoring of actions from previous audits, Ms Cox responded that the figures had not shown any clear impact. However, during the last couple of months it had not been possible to devote additional resource to the monitoring of actions and there was likely to have to be a catch up period in the summer. There was still a monthly report to the Council's Strategic Leadership Team (SLT) members and corporate directors and a monitoring process in place.

Following a request, it was agreed that a relevant officer would provide further information to Committee Members on the work of the Climate Change Programme Board which was referred to in the report.

The Chair thanked Ms Cox and her Internal Audit team for the actual performance set out in the report for 2022/23, including the improvement in completions.

**RESOLVED:** That the Chief Internal Auditor's Annual Report be endorsed by the Committee.

**ACTION:** That a relevant officer be required to provide further information on the work of the Climate Change Programme Board.

## **35/23 INTERNAL AUDIT STRATEGY & INTERNAL ANNUAL PLAN 2023/24**

(Agenda No. 6)

In addition to highlighting the recruitment situation, including appointing a new Internal Audit Apprentice in October 2022 and seeking to appoint a Senior Auditor, Ms Cox stated that it was her aim to measure in 2023/24 and report on the number of repeat actions / findings (if any) that are raised, where follow up audits identify those actions that have not been implemented effectively and the risk/issues previously identified still exist. She would be providing a progress report on the Plan at the September meeting of the Committee.

It was noted that there was the option to examine some of the scoping / terms of reference documents for planned audits as referred to in Appendix 2 of the report, such as Safeguarding Adults, Supported Transport and Local Transport Connectivity Plan, at the Audit Working Group.

**RESOLVED:** That the Committee **NOTED** the Internal Audit Strategy and Internal Audit Plan for 2023/24.

### **36/23 STATEMENT OF ACCOUNTS 2022/23**

(Agenda No. 7)

The report was presented by Lorna Baxter, Director of Finance. She stated that there were two parts to the report. One set out the approved Significant Accounting Policies which describe how the Council has interpreted and applied the CIPFA 2022/23 Code of Practice in Local Authority Accounting in the UK (the Code) and the basis of preparation of the accounts. These were adopted in keeping with the Statement of Accounts being produced. Ms Baxter stated that the accounting policies were in Annex 1 and the only change to these from the previous year was the section on Infrastructure Assets in paragraphs 45 to 51. As reported at previous meetings of the Committee, Infrastructure Assets had been a major issue in delays to the 2020/21 accounts.

It was explained that in respect of the other part of the report, the proposed timetable to produce the draft Statement of Accounts for 2022/23, CIPFA had requested that they were published by the end of May 2023. There were a number of challenges to the Council's Finance Team in relation to that. These included that the small Finance team, many of whom were new members, were working on three different years of audits simultaneously, including responding to queries for the 2020/21 audit, producing information for 2021/22 and seeking to put together the accounts for 2022/23. Also, with two years of open audits, it was not possible to know if there were any audit issues and any impact on prior year comparators for 2022/23 accounts. The Finance Team had also been responding to queries on 2020/21 and sample requests and evidence for 2021/22 which had delayed work beginning on the 2022/23 Statement of Accounts.

Ernst & Young (E&Y), the Council's external auditors, had informed the Council that they would not be commencing the 2022/23 audit before the beginning of 2024. In order that Finance had the opportunity to respond to audit queries and meet the priority of ensuring the previous years' audits were signed off, it was proposed to produce the draft Statement of Accounts for 2022/23 by the end of June. It was

emphasised that the end of May date for the draft Statement of Accounts was not a statutory deadline.

Ms Baxter and the Chair referred to the fact that there were a large number of Councils in the same position as Oxfordshire with a backlog of audits outstanding. In addition to the Infrastructure Assets issue, due to the 2020/21 accounts still being open, there was a potential impact arising from the triennial pension valuation which took place in December 2022.

It was agreed that advice would be taken on whether it would be helpful to make a public statement for the national reasons behind delays to sign off of the accounts.

**RESOLVED that:**

- 1) the proposed timetable to produce the draft Statement of Accounts for 2022/23 be endorsed by the Committee; and,
- 2) the accounting policies as approved by the Director of Finance and included as an annex to the report be ratified by the Committee.

**ACTIONS:**

- 1) Advice to be taken on whether it would be helpful to make a public statement for the reasons behind delays to the sign off of the accounts.
- 2) Lorna Baxter agreed to review the wording of Paragraph 53 of the accounting policies in Annex 1.

**37/23 UPDATE ON THE PROCUREMENT HUB AND THE IMPLEMENTATION OF THE SOCIAL VALUE POLICY**

(Agenda No. 8)

The Committee received a report providing an update to the Committee on the development of the Procurement Hub since the last report to the Committee in January 2021. It also reported on the implementation and progress of the Social Value Policy, which was approved by Cabinet in February 2022.

Melissa Sage, Head of Procurement Contract Management, advised that in respect of the Procurement Hub the team as an ongoing action had been updating documents, templates and the handbook. The contract procedure rules had been refreshed in October 2022. The team had also sought to strengthen the relationship between the Procurement Hub and Health, Education and Social Care (HESC), including implementing the Strategic Provision Board which involved senior members of both HESC and the Hub.

In respect of the Social Value Policy, Ms Sage explained that for all tenders over £100k there was a weighting between 12% and 16% for Social Value. This was in addition to the price quality scoring that was part of the tender process. The suppliers were given a choice to select where their Social Value funding would go. This was assessed by the Council's partner, the Social Value Portal, who were experts in this area and provided their scoring and feedback as part of the overall

tender evaluation. The Social Value Portal were also responsible for tracking and monitoring the Social Value once the contract was put in place.

Ms Sage emphasised that it was the first full year that the Policy was in place and given the timescales involved, including running procurements, evaluating tenders and the spend having to exceed the £100k threshold, the report only reflected about half a year since its introduction when Social Value Portal's tracking and monitoring came into operation. She added that £2.1m Social and Local Economic Value had been delivered to date and most was in the category of local employment and local skills.

The funds being in the category of local employment and local skills was welcomed. The Committee requested that there was a follow up report on the Social Value Policy when there was sufficient data and a review provided for the whole first year. It was recommended that consideration was given to whether it was possible for the Council to direct the procurers on the destination of the Social Value funding rather than the procurers entirely deciding themselves.

It was also noted by the Committee that Social Value Portal was able to convert the social value offered and convert it into a pound sterling figure in order that the Procurement Team could compare the different supplier offers on a like for like basis. It was recommended that more clarification was given from Social Value Portal regarding the bar charts they provided in their presentation, including for the Diverse Local Employment and Skills in Annex 2 of the report.

**RESOLVED:** That the Committee **NOTED** the development of the Procurement Hub as a service and the implementation of the Social Value Policy.

### **38/23 ERNST & YOUNG VERBAL UPDATE**

(Agenda No. 9)

Maria Grindley and Adrian Balmer of E&Y took items 9 and 10 on the agenda together as the key aspect of the verbal update was the 2020/21 draft audit results. E&Y had received a draft set of final statements from the Council's Finance Team and had subsequently reviewed them and responded. Once the Finance Team replied to these final queries, it was anticipated that the 2020/21 audit would be signed off and completed within the next week or so.

Ms Grindley and Mr Balmer stated that in relation to two issues which had particularly impacted on the 2020/21 audit, the infrastructure assets work referred to at previous meetings and in the Draft Audit Results Report had been completed. The necessary work in relation to the triennial valuations was well progressed and it was hoped that it would be concluded by the end of the week.

It was confirmed that it was intended to focus on the 2021/22 audit later in the summer. This process had already commenced.

**RESOLVED:** That the Committee **NOTED** the verbal update.

### **39/23 2020/21 DRAFT AUDIT RESULTS REPORT**

(Agenda No. 10)

The Committee noted that the 2020/21 Draft Audit Results Report included updates (in green ink) from the previous meeting in March and were the final matters that E&Y and the Council's Finance Team had been working on before the 2020/21 audit was signed off.

**RESOLVED:** That the Committee **NOTED** the 2020/21 Draft Audit Results Report.

### **40/23 ANNUAL GOVERNANCE STATEMENT 2022/23**

(Agenda No. 11)

Ms Bradley, introducing the item, confirmed that the Chief Executive had requested that further work be carried out by the Strategic Leadership Team (SLT) before the Annual Governance Statement was brought back to the Committee for approval. Additional assurance work was being undertaken by each member of SLT in conjunction with their directorate and corporate services by 31 May. The Annual Governance Statement was now scheduled for the Audit and Governance Committee meeting on 19<sup>th</sup> July.

**RESOLVED:** That the Committee **NOTED** the update on the Annual Governance Statement for 2022/23.

### **41/23 REVIEW OF AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE**

(Agenda No. 12)

It was agreed that the item reviewing the Committee's Terms of Reference would be withdrawn at the current meeting and scheduled for the next meeting in July in order to take into account further updates.

**RESOLVED:** That the item be withdrawn and scheduled for the next meeting of the Committee on 19<sup>th</sup> July.

### **42/23 AUDIT WORKING GROUP UPDATE**

(Agenda No. 13)

The Committee heard from Ms Cox and the Chair of the Working Group, Dr Geoff Jones, in relation to the Audit Working Group meeting held on 5 April 2023. There had been two main items on the agenda, 'Payments to Home Care Providers' and 'Fleet Management Compliance 2021/22 Audit Update'.

It was noted that in relation to the first of these items, an audit of the new payment arrangements was planned within the 2023/24 internal audit plan, and the results of the audit will be reported back to the Audit & Governance Committee through the internal audit routine quarterly reports. The Working Group would also be interested to be provided with further information relating to the service's review of the year one 'Living Well At Home' contract data, including in relation to quality control.

In respect of the Fleet Management item, the Committee was advised that officers had been invited to attend the September meeting of the Working Group in order to provide an update on the implementation of the project. There had been some reassurance from the Strategic Fleet Manager, in particular, in terms of compliance with the audit actions and proposals for the One Fleet project but there was some way to go in terms of all aspects of the projects being implemented, including rolling out the IT system and addressing contracts to replace the current fleet with electric vehicles.

The Chair and Deputy Chair encouraged Members of the Committee to attend the Audit Working Group meetings.

**RESOLVED:** That the Committee **NOTED** the report.

#### **43/23 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME**

(Agenda No. 14)

It was agreed that the next meeting of the Committee in July would begin at 1pm due to the number and nature of the items scheduled, including the addition of the Annual Governance Statement and the Review of the Committee's Terms of Reference. Further communications would take place with the report authors for the papers in July as to whether there was the potential for any items to be moved to the following meeting in September. The Committee noted that there was potentially the option to move the 'Review of Member Code of Conduct Arrangements' to the following meeting as it was not time critical and requested that this item and the Health and Safety Annual Report were considered in September.

Members also recommended that the Committee's Terms of Reference and Internal Audit Charter items were circulated for comments prior to the July meeting in order to assist in reducing the length of the meeting.

There were two training sessions that had previously been suggested to take place prior to the July Committee meeting relating to Treasury Management and Risk Management. The Committee requested that they were re-scheduled for June and made available via Teams.

**RESOLVED:** That the next meeting of the Committee be scheduled to begin at 1pm.

#### **ACTIONS:**

- 1) To seek to move the 'Review of Member Code of Conduct Arrangements' and the Health and Safety Annual Report items from the July Committee meeting to the following meeting in September (Jonathan Deacon / Anita Bradley / Paul Lundy).
- 2) The Chief Internal Auditor and the Head of Governance to circulate the Committee's Terms of Reference and Internal Audit Charter items ahead of the next meeting in July (Sarah Cox / Simon Harper).
- 3) The Treasury Management and Risk Management training sessions to be re-scheduled in June (Jonathan Deacon / Tim Chapple / Louise Tustian).



..... in the Chair

Date of signing .....