



Oxfordshire County Council

**Auditor's Annual Report
Year ended 31 March 2021**

25 September 2023



EY

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)” issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit & Governance Committee and management of Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Oxfordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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.

Section 1

Executive Summary



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 25 September 2023
Going concern	We have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Narrative Statement and other information published with the financial statements	Financial information in the Narrative Statement and published with the financial statements was consistent with the audited accounts.
Consistency of the Pension Fund annual report and other information published with the financial statements	Financial information in the Pension Fund Annual report and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We raised one recommendation in respect of a procurement review which the Council initiated following a settlement by a claimant in a procurement related matter. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating the significant findings resulting from our audit.	We issued an Audit Results Report dated 21/09/23 to the Audit & Government Committee Chair and the Director of Finance. We provided a verbal update at the 20 September Audit & Governance Committee meeting.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We issued our completion certificate on 25 September 2023.

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to the valuation of property, plant and equipment. As a result, we have agreed an associated additional fee with the Chief Finance Officer. We include details of the final audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Maria Grindley

Partner

For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 26 May 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, Narrative Statement and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

We have issued an unqualified audit opinion on the Council 2020/21 financial statements.

Key issues

The Annual Report and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 25 September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 20 September 2023 Audit & Governance Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<p>Misstatements due to fraud or error - management override of controls</p> <p>An ever present risk that management is in a unique position to commit 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.</p>	<p>We obtained a full list of the journals posted to the Council's general ledger during the year, and analysed these journals using criteria we set to identify unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We tested the accounting estimates most susceptible to bias, being mainly the valuation of land and buildings.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any transactions during our audit which appeared unusual or outside the Councils normal course of business.</p>
<p>Inappropriate capitalisation of expenditure</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.</p>	<p>Our testing is complete.</p> <p>We have not identified any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.</p> <p>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.</p> <p>Our testing of capital additions is complete and we have identified one instance where expenditure had been inappropriately capitalised due to an overstated accrual.</p>

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Valuation of land and buildings</p> <p>Land and buildings is the most significant balance in the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>As a result of issues identified by our internal valuers with the approach being adopted in respect of obsolescence we requested that a number of assets be revalued. The audit team received the revised valuations and are worked through the updated revaluations. As the error identified in respect of obsolescence in the current year would also be present in prior periods we requested that the 66 assets impacted by the error be revalued and assessed for the relevant earlier periods and corrected via a Prior Period Adjustment. .</p> <p>In addition, we also identified a number of errors in respect of the accounting for care homes. We identified inconsistencies between the source document and the valuations applied. We requested that the valuations be reviewed and re-worked. We have completed the review and confirmed that the final fixed asset register has been updated for the required amendments.</p>
<p>Infrastructure Assets</p> <p>Based on our initial review of the accounting treatment adopted by the Council in this area we were unable to gain assurance that all infrastructure assets accounted for in the financial statements continue to exist. This is because the Council is unable to show that assets, or components of assets, are derecognised from accounting records when they are replaced. Subsequent to this changes have been made to the Local Authority Accounting Code by CIPFA and DLUHC has issued a Statutory Instrument to temporarily change accounting rules in this area. A Local Authority Accounting Panel (LAAP) bulletin has also been issued by CIPFA which covers how infrastructure assets should be depreciated.</p> <p>We have judged this to be a significant risk.</p>	<p>We have reviewed the draft financial statements to identify prima facie whether the Council is recording disposals of infrastructure assets, or components.</p> <p>We made enquiries to understand management's current processes, including bringing forward our knowledge from previous year's audits.</p> <p>We concluded that the revised Infrastructure Assets disclosure and presentation is compliant with the revised Code.</p>

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p>Going concern disclosures The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>We challenged the adequacy of the Councils going concern assessment and its disclosure in the financial statements by: Evaluating supporting evidence for indications of bias Reviewing the cashflow forecast Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, before drawing our conclusions on going concern. We were satisfied with the adequacy and sufficiency of the final amended disclosures in relation to going concern.</p>
<p>Valuation of defined benefit pension scheme The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council. The Council's pension liability is a material estimated balance and is required to be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £824.6 million. The information disclosed is based on the IAS 19 report issued by the Pension Fund actuary to the Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on its behalf. We are required to undertake procedures on the use of the use of the actuary as management's expert and the assumptions underlying fair value estimates.</p>	<p>We received the IAS 19 Assurance Letter from the auditor of the Oxfordshire Pension Fund. The auditor of Oxfordshire Pension Fund highlighted a correct mis-statement of £12.4 m to increase the value of assets on Oxfordshire Pension Fund. Oxfordshire County Council have an approximate 49% share of the Pension Fund. This corrected mis-statement would therefore represent approximately £6.1 m for the Council. We have communicated this error to officers and officers have confirmed that they will not be making an amendment. We used our internal specialists to assess the acceptability of the Scheme's liability for disclosures as at 31 March 2021. These were independently assessed as being within an acceptable range of <0.5%. We identified an error in the treatment of the Top Up Grant on the Firefighter's Pension Fund. Officers have corrected for this and we have confirmed that the corrected amounts are not material for the Fund and there is no impact on the prior period. We reviewed the details of the 2022 Triennial Valuation against the 2019 Triennial Valuation, we assessed whether there are assumptions or any other matter that would affect the position of the 2019 Triennial Valuation. The 31 March 2021 accounts position is based on a roll forward of the 31 March 2019 triennial actuarial valuation. As full valuations are only done every three years, it is accepted practice to use a roll forward in between valuations. We assessed that the change will not have impact on the 2020/21 financial statements as the assumptions used in the IAS 19 Report are assumptions that are applicable in the current market environment at the reporting date which we have tested and assessed to be reasonable.</p>

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Accounting for Covid-19 related grant funding</p> <p>The Council received government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in 2020/21.</p>	<p>We considered the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none">• An Agent, where it has determined that it is acting as an intermediary; or• A Principal, where the Council has determined that it is acting on its own behalf. <p>We:</p> <ul style="list-style-type: none">• Selected a sample of Covid-19 grants received in year, for each item in our sample we have reviewed the Council's accounting treatment as agent or principal. We sought technical support on the treatment of two grants received in year.• Agreed with the accounting treatment applied by the Council with no issues.
<p>Accounting for Dedicated Schools Grant (DSG)</p> <p>There is a risk that the Council's accounting treatment of the DSG balance will not be in line with the Code, given the recent changes and new guidelines. This would specifically impact on the relevant Balance Sheet and Income and Expenditure assertions specifically Completeness, Existence/Occurrence and Measurement/Valuation.</p> <p>.</p>	<p>We reviewed the workings behind DSG reserve; we have sought technical support on the Council's treatment of the DSG deficit. Our technical expert questioned the Council's treatment of the establishment of the new Unusable Reserve from a completeness perspective. Following our challenge officers have agreed to make the correction and account for the full amount within the new Unusable Reserve. Management have provided their workings, these have been reviewed by the audit team and the team have concluded that the DSG usable reserve has correctly been updated in the final accounts.</p>

Financial Statement Audit (continued)

Audit differences

Corrected Differences:

We identified a number of misstatements which management corrected.

We identified two audit mis-statements greater than our performance materiality of £14.934 m.

Through our testing of property, plant and equipment additions we identified a negative manual adjustment to the assets under construction additions balance; on enquiry of management this was the derecognition of academies that have been built by the County and then transferred to the academies on completion. The Council had recognised these costs as REFCUS Expenditure and recorded the disposal in the net cost of services, as the cost related to disposals this should have been recorded in Other Operating Expenditure. The value of this adjustment is £19.89m.

In addition, as a result of our work on valuations the Council have revalued 66 assets across the following categories: Fire Stations, Libraries and various other categories such as offices. This revaluation exercise was as a result of our challenge on the obsolescence factor being applied by the valuer. Following discussions with the valuer a revised methodology was applied to reflect the asset lives of these assets and this resulted in a revised reduction across the 66 assets of approx. £32m. Management requested the valuations to be updated in 20/21 to correct for the errors, as the adjustment was in excess of our threshold of £14.934m the audit team requested management to revise the valuations for 18/19 and 19/20 as the error was also included in the comparative figures. The impacts in 19/20 and 20/21 were below our threshold and were corrected by management.

Uncorrected Differences:

There are two unadjusted mis-statements above our reporting threshold of £0.996 m. We identified an error of £1.6 m with respect to an accrual included in Property, Plant & Equipment. The accrual was for LED lighting where we were unable to verify the exact value and amount allocated against this accrual.

The pension fund auditors highlighted in their letter to us that they had identified an error of £12.4 m in their assessment of assets i.e. assets as reported in the draft financial statements were understated. This was corrected by the Pension Fund. Oxfordshire County Council have approximately a 49% share of the Pension Fund and so the corrected error would represent approximately £6.1 m for Oxfordshire County Council.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Financial Statement Audit (continued)

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £19.912 m as 1.8% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit & Governance Committee that we would report to the Committee all uncorrected audit differences in excess of £0.996 mm.

Section 4

Value for Money



Value for Money (VFM)

<p>We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.</p>	<p>Scope and risks</p> <p>We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the May 2023 Audit & Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Director of Finance, Chief Internal Auditor, Corporate Director of Commercial Development, Assets and Investment, and the Monitoring Officer and evaluation of associated documentation through our regular engagement with management and the finance team . We reported that we had identified a risk of significant weakness in the Council's VFM arrangements in relation to procurement specifically in respect of the settlement of a case by a claimant.</p>
<p>We had no matters to report by exception in the audit report.</p>	<p>Reporting</p> <p>We completed our planned VFM arrangements work on 21 September 2023 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements. We include within the VFM commentary below the associated recommendation we have agreed with the Council.</p>
<p>Our VFM commentary highlights relevant issues for the Council and the wider public.</p>	<p>VFM Commentary</p> <p>In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:</p> <ul style="list-style-type: none">• Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services;• Governance How the Council ensures that it makes informed decisions and properly manages its risks; and• Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

For 2020/21, Oxfordshire County Council (the Council) has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The budget for 2020/21 was approved by the County Council on 11 February 2020 and the council tax requirement (which is the net budget met by council tax) for 2020/21 was set at £475.1m. The net budget was financed from: Business Rates (£75.1 m); and Council Tax (£400.0 m).

The Council's arrangements for 2020/21 were in the context of changes to the Local Government financial framework as part of the coronavirus pandemic response.

During 2020/21 there were a number of changes to the original approved budget and financial strategy, reflecting Cabinet decisions and the application of several emergency funding streams made available by the Government and NHS England in response to the coronavirus pandemic.

Financial sustainability (continued)

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (cont'd):

These updates included an update to Cabinet in July 2020, and a revision by Cabinet to the budget in August 2020. Virements to enact the revised budget were approved in September 2020. These actions and the revised additional government support ensured that the Council ended the year with an underspend £14.2 m of which was carried forward in a Covid Reserve for subsequent years.

How the body plans to bridge its funding gaps and identifies achievable savings

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Full Council as well as the Cabinet maintain and provide oversight over the financial performance of the Council. This is done through the annual budget as well as Medium Term Financial Strategy (MTFS) being approved by the Full Council. These documents identify areas of financial pressures with the aim of producing and delivering a balanced budget each year. This is then monitored through monthly Business Management and Monitoring Reports to the Cabinet where any in-year variations are approved.

The budget setting process identifies funding gaps and the action required to address these gaps. These are detailed in the MTFS under 'pressures, investments and savings' section which form the basis of the Council's risks and mitigations. Monthly reporting on business management and monitoring to the Cabinet also enables the Council to identify gaps in funding and monitor progress on meeting savings targets.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has a vision and a long-term strategic plan which articulates how it will deliver its statutory responsibilities by bringing together the Council's policy, business and financial planning and risk management. During 2020-21 the Council was operating under the Corporate Plan 2020-2024.

[CorporatePlan2020 \(oxfordshire.gov.uk\)](https://www.oxfordshire.gov.uk/corporate-plan-2020-2024)

The Council aligns the annual operating plan including the financial plans for enabling sustainable delivery of services. This forms the basis of monthly reporting to the Cabinet.

Financial sustainability (continued)

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (cont'd):

As well as holding a contingency budget, general balances are also held to ensure that a major incident or emergency can be managed without impacting on other services. In reaching the decision on the level of balances that are appropriate to be held for 2020/21 and future years, the Council have considered the strategic, operational and financial risks facing the authority including the ability to deliver planned savings, as well as external risks such as the impact of flooding. During 2020/21 the Council also actively had to manage forward reserves to reflect the longer-term impact of Covid-19 on its residents. £14.2 m of Covid-19 funding which was underspent in 2020/21 was subsequently carried forward in a Covid Reserve.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Throughout the financial planning i.e. annual budget and MTFs processes, consideration of other plans such as capital and treasury management also take place. The Capital and Investment strategy also forms part of the annual budget setting process with the strategy being taken to Cabinet for approval at the same time as the revenue budget.

The Capital and Investment Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

All of the Council's financial strategies and planning interlink and are presented in a way that informs clear and effective decision making.

The Council reports to each Performance Scrutiny meeting and Cabinet meeting on key performance areas which show the extent to which the changes we expect to see as a result of the Council's actions are being achieved, and in turn measures and targets show progress towards the performance indicators. The Council's financial plans include reporting on these wider areas as part of its mechanisms for monitoring the achievement of targets for each of the key performance areas. Where the Council identifies a risk to target achievement, it incorporates the resulting identified mitigating actions into the budget, which enables it to identify the necessary financial resources required to implement the actions.

Financial sustainability (continued)

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Throughout the preparation of the budget and MTFS, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be. Reserves are used not only to help implement the MTFS but also to provide mitigation against financial risks and wider flexibility in dealing with unplanned changes.

The Council has an effective corporate risk management framework in place to identify, mitigate and monitor the risks to the Council in delivering strategic and service organisations. This includes both financial and non-financial risks. The risk register is reviewed throughout the year by the Cabinet, Corporate Management Team and the Audit & Governance Committee.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

It is the responsibility of Chief Officers to control income and expenditure on their budgets and to monitor performance taking account of financial information provided by the Chief Financial Officer.

The largest risk affecting the Council throughout the year was the ongoing Covid-19 pandemic. The Council's response, such as presented to the July and August 2020 Cabinet meetings, shows the decisive steps that were taken by the Council.

The pandemic required local authorities to make rapid adjustments to meet new demands and to step up work in critical frontline services. These new and increased demands have resulted in significant additional expenditure. At the same time, council income streams have been severely damaged by lockdowns and other restrictions. During 2020/21, additional funding was provided from central Government to help councils with the financial impact of COVID-19, however this has not matched projected additional costs and loss of income for the year. Given the legal duty councils must balance their budgets each year and act to avoid the possibility that expenditure might exceed available income in any year, in July 2020, the Cabinet asked Officers to address the potential overspend arising from COVID-19. A revised budget addressing the potential overspend taking into account expected additional funding received from government was agreed by Council. The revised budget ensured a balanced position for 2020/21 could be achieved and that budgets to meet the additional costs of COVID-19 were agreed to enable effective budget management. This evidences the Council's approach to unplanned changes in demand.

Financial sustainability (continued)

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Any changes to demands are managed through regular budget monitoring and also utilizing underspends in other areas. OCC also hold a healthy balance of investments although this is held with a long-term view, these are available where needed.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Governance

For 2020/21, the Council has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council's budget is refreshed annually to match its strategic aims and align to strategic priorities and risks. The Business Management and Monitoring report outlines the actions being undertaken by the Council to provide assurance that risks are being mitigated to an acceptable level.

The Business Management and Monitoring report is supported by a risk register. The risks assessed are wider than just financial, due to the nature of the Council's activities. The Council assesses impact of risks on a matrix of likelihood of occurrence and potential impact upon the Council, with a combined score produced to assess the importance of the risk. The Council has a Risk and Opportunities Management Strategy which contains the risk appetite statement that defines acceptable levels of risk for its activities.

The Council had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The Council has an internal audit service to help gain assurance over the effective operation of internal controls. It also has a Counter Fraud Team as part of its Counter Fraud Strategy and Plan to prevent and detect fraud. Quarterly reports are received from the internal auditors highlighting their work carried out including a breakdown of fraud investigations with any significant issues included in summary format. Cases of alleged or proven incidents of fraud are investigated or tracked by internal audit and reported to the Audit & Governance Committee.

The Chief Executive is responsible for the adequate provision of Internal audit and counter fraud with oversight from the Audit & Governance Committee. The Council management is responsible for responding to the internal audit and counter fraud findings appropriately and in a timely manner with appropriate challenge from the Audit & Governance Committee.

The Counter Fraud Strategy and related policies (including the Bribery Act Policy) are regularly reviewed and have been approved by the Audit & Governance Committee. The County Council fully participate in the National Fraud Initiative with results notified to the Audit & Governance Committee through the Chief Internal Auditors Annual Report and Opinion.

Financial regulations and procedures have been developed and are kept under review to ensure they provide an effective control framework. Compliance is monitored through appropriate review by service managers and finance staff together with independent review by internal audit.

Governance (continued):

How the body approaches and carries out its annual budget setting process

The Council develops its financial plan and budget using dual processes:

- **Top down:** The Council approves or adopts the policy framework which sets out the council's service delivery plans, including the Corporate Plan and in addition approves or adopts the annual budget. The Cabinet is responsible for making sure that there is effective financial planning within the council. This includes preparing proposals for the budget, which should take account of the views of the public, local stakeholders and the council's Performance Scrutiny Committee.
- **Bottom up:** where the Council develops a granular level of activity, income, expenditure, workforce, capacity and efficiency planning. The Council then triangulates these plans with operational, performance and workforce leads.

The Council had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

We obtained the Budget for the current year 20/21 and we noted that the Budget was considered by the Cabinet, before submission to the County Council. We also noted through the review of the Budget Process that the Performance and Corporate Services Overview and Scrutiny Committee considered strategic issues relating to the Budget including comments on individual portfolios. The Budget was firstly recommended by the Performance and Corporate Services Overview and Scrutiny Committee for approval by the Cabinet before the Budget for 20/21 was recommended for approval by the County Council as per the above processes and arrangements contained in the Council's Constitution.

Governance (continued)

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

Within the Constitution of the Council there are processes and procedures in place to ensure the Council has effective processes and systems in place to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed.

Budget Monitoring and Control:

The Director of Finance is responsible for providing appropriate financial systems to enable budgets to be monitored effectively. The Director of Finance must monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

It is the responsibility of Chief Officers to control income and expenditure on their budgets and to monitor performance taking account of financial information provided by the Director of Finance. They should report to the relevant Cabinet Member on variations and take any action necessary to avoid exceeding their budgets and alert the Chief Financial Officer to any problems. Any new proposal containing significant financial implications must take note of the Director of Finance's advice as well as that of the relevant Chief Officer and Cabinet Member.

The Director of Finance oversees the adoption and operation of the Council's overall performance management. The monthly monitoring report to the Cabinet includes a budget v actual position and other non-financial and performance reporting with areas identified that need corrective action based on any deviation from budget incurred during the year. In response, the report also highlights corrective actions/savings put in place to address the deviations. This is evident through actions taken to meet changing economic conditions through the pandemic.

Governance (continued)

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

The effective operation of key committees, supported with regular, clear and relevant information, is the Council's key tool for ensuring that it makes properly informed decisions.

Published Committee papers and minutes evidence the challenge made by Councillors and the transparency in decision making. Executive decisions are made by the Executive Body being the Leader and Cabinet, within the overall policy and budgetary framework approved by Full Council. Any decisions the Executive wishes to take outside of the framework must be referred to Full Council to decide. Scrutiny committees monitor the work of the Executive Body.

Full Council:

The Full Council is responsible for specified major decisions, such as setting the budget, and debates topical issues. It also receives reports from the Executive, and members are able to question the Executive on their areas of business.

Cabinet:

Oxfordshire County Council operates a Leader with Cabinet structure. The Cabinet is made up of the Leader and executive members who each have a portfolio of responsibilities. The Cabinet make decisions together on strategic issues and individual executive members can take decisions on issues relating directly to their portfolio areas.

Cabinet Advisory Groups (CAG):

CAG's examine topics selected by Cabinet which align to corporate council priorities. CAG's are not formal meetings of the Council and do not have the status of advisory committees. CAG meetings are ad hoc and cover areas such as: Minerals and Waste; Transport and Transformation.

Select Committees:

The Select Committees (Overview and Performance and Scrutiny) hold the executive members to account on the decisions they make both collectively as Cabinet and individually. They can assist the Cabinet and executive members to make effective decisions by examining issues beforehand and making recommendations.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

The Select Committees can also challenge decisions before they are implemented, review decisions after they have been implemented to see if they achieved what was intended, and suggest new policy areas or review the effectiveness of existing policies.

Audit & Governance Committee:

The Audit & Governance Committee meets 6 times per year, is comprised of appropriately skilled and experienced members, has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

Our attendance at the Audit & Governance Committee meetings indicates that reports brought to the attention of the Audit & Governance Committee are appropriately challenged and scrutinised.

Monitoring Officer:

The Council also has a Monitoring Officer in place. The function and role of the Monitoring Officer includes ensuring lawful and fair decision making. The Monitoring Officer is an active participant at relevant committees including the Audit & Governance Committee.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

We have identified there are various policies in place regarding the integrity, ethical values and behaviour of key executives.

A code of corporate governance is in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To ensure effective leadership throughout the County Council, members and officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution and in particular looks at how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute and regulations by Governmental and other bodies (e.g. CIPFA) while the County Council has determined others locally.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The County Council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These include codes of conduct for both officers and members and cover conflicts of interest and gifts and hospitality and appropriate policies for partnership working. The Code of conduct is communicated and monitored regularly. The handbook includes policies regarding ethics and behavioural standards for employees and it is well communicated to the stakeholders of the business and is available on the Council's intranet. All staff, Councillors and co-opted members are provided with a copy of the relevant policy when joining and are required to read and sign up to the code of conduct/employee handbook.

The Council has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. These policies and procedures are reviewed and revised regularly – this is overseen by the County Council.

The Council has specific policies for staff and non-executive directors in respect of gifts and hospitality and conflicts of interest. Annually, all Senior Staff and Councillors as well the governors are required to make declarations. These declarations are recorded in a register maintained by the Finance Team and published on the Council's website.

Improving economy, efficiency and effectiveness

For 2020/21, the Council has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

How financial and performance information has been used to assess performance to identify areas for improvement.

The Council receives reports on performance in its key areas against key performance indicators set out in the Outcomes Framework that is agreed annually. The monthly Business management and monitoring reports clearly outline performance against planned targets and outcomes. Depending on the performance area, a Council committee will have oversight of the actions being identified and taken to address areas where performance is below plan.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council has an array of ways of measuring its own performance across all aspects of its operations. It brings these together in the form of monthly reporting to the Cabinet against its medium-term financial strategy, key performance indicators and annual budget. Where performance is below plan these reports highlight the action being taken to seek the required improvement. The Council has also previously used the Corporate Peer Challenge in 2019 to receive feedback from Local Government Association to improve its services. This shows that the Council has voluntarily sought external feedback to help drive its performance.

The Council publishes an annual Narrative Statement and Annual Governance Statement (AGS) as part of the year-end closedown process outlining its performance for the financial year that also considers non-financial aspects. The AGS also highlights significant governance issues and looks back at progress against issues raised in the prior year and also importantly governance issues to be addressed in the next financial year.

Improving economy, efficiency and effectiveness (continued)

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has a number of collaborative working arrangements. These arrangements are generally focused on key aspects of strategic direction such as: Housing, Growth, Environmental and Health.

The County Council has pooled budget arrangements with NHS bodies and during 2020/21 had formal joint working agreements with Cherwell District Council. These partnerships involve joint use of the assets and resources of each organisation rather than the establishment of a separate entity.

Oxfordshire Local Enterprise Partnership (LEP)

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Council acts as the Accountable Officer for the Oxfordshire LEP (LEP). The LEP's purpose is to inspire and collaborate to deliver economic opportunities for the communities of Oxfordshire. The LEP brings together representatives from academia, business and the public sector across Oxfordshire.

Integrated Business Centre

The Council is a formal partner in the Integrated Business Centre (IBC) hosted by Hampshire County Council. The Council joined in 2014/15 as the first operational partner for the provision of shared financial and HR services. The service offered by the IBC are HR Services, Finance Services, Purchase to Pay Services.

The Council is formally represented on the performance board of the IBC. Performance is formally reviewed on a quarterly basis, and this includes a range of Performance Measures, overlaid by comprehensive service performance reports, and agreed actions to drive continued collective performance improvement. The IBC also provides an ISAE 3402 Type 2 report in relation to the control environment. This allows OCC to monitor the control environment and follow up on any control weaknesses noted.

National Health Service Section 75 Pooled Budgets

During 2020/21 the Council had two pooled budgets with Oxfordshire Clinical Commissioning Group and one with Oxford Health NHS Foundation Trust. The pooled budgets operate to provide better outcomes for patients within Oxfordshire and ensure that the resources in place are best utilised for maximum impact.

Improving economy, efficiency and effectiveness (continued)

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (cont'd)

Other key partnerships include the Future Oxfordshire Partnership (formally the Oxfordshire Growth Board – name changed in July 2021). The Future Oxfordshire Partnership is a joint committee of the six councils of Oxfordshire together with key strategic partners. It has been set up to facilitate and enable joint working on economic development, strategic planning and growth. It does this by overseeing the delivery of projects that the councils of Oxfordshire are seeking to deliver collaboratively in the fields of economic development and strategic planning. The Future Oxfordshire Partnership also has an important role in representing Oxfordshire on matters of regional interest.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Partnership meets six times each year to discuss issues facing Oxfordshire's future, most often in a non-decision-making capacity. It is supported by four Advisory Sub-Groups (Infrastructure, Environment, Housing and Oxfordshire Plan 2050), a Scrutiny Panel and a small team of officers who are tasked with delivering on elements of the Partnership's work programme.

Improving economy, efficiency and effectiveness (continued)

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council follows the process within the Constitution of the Council in Part 8, Section 3 which sets out the procurement and contracts procedures. This includes the procedures and statutory requirements in terms of the procurement of services.

A review by PwC in 2018 identified procurement and contract management as an area of business improvement. The improvement work was made ever more urgent, following the successful challenge from a company, as a result of the procurement process supporting a parking enforcement procurement award process. The legal challenge was originally made in June 2019 with the final settlement of £0.9m being made by the Council in February 2021 and the total costs to the Council of £1.6m. It was noted the payment was made reflecting significant failings in the evaluation exercise during the procurement process.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

An action plan was drawn up to address the significant weakness noted in the procurement process and ensure that the process is robust and thorough. An overarching fact-finding review of the procurement and subsequent litigation actions, settlement and costs associated was commissioned with relevant recommendations reported to the Council and Audit & Government Committee. All recommendations were duly accepted and an agreed implementation plan agreed. A review also concluded the isolated nature of the procurement decision and also the very specific nature of the reasons which resulted in the litigation.

Improving economy, efficiency and effectiveness (continued)

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

During 20/21 the Council reported to Audit & Governance Committee a series of weaknesses with the application of procurement rules throughout the organisation prompted by the legal case noted above. Procurement arrangements were not being followed in all cases, leading to tender arrangements and other contracting arrangements that may not have provided value for money. An action plan was put in place to address the weaknesses identified and this was reported in a timely manner to the Audit & Governance Committee with a through action plan to address the matters identified. In our assessment of the matter and specifically its significance in respect of the value for money conclusion we concluded that there was not a significant weakness in arrangements. Key to reaching this conclusion was our assessment of the following key criteria:

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

- Exposes – or could be reasonably expected to expose – the body to significant financial loss or risk;
- Leads to – or could reasonably lead to – significant impact on the quality or effectiveness of service or on the body’s reputation;
- Leads to – or could reasonably be expected to – unlawful actions;
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans

We concluded that none of the above criteria were significant triggered by the procurement matter. We did however conclude that we would raise the following recommendation for the Council.

VFM Commentary

The Council has agreed 1 recommendations which we will follow up as part of our 2021/22 VFM arrangements work.

Recommendations

As a result of the VFM procedures we have carried out we have agreed the following recommendations with the Council:

Recommendation 1

The Council should continue to monitor progress against and compliance with the action plan drawn up by the Council in response to the investigator's recommendations and identify areas of further improvement to improve value for money. Should controls operate effectively throughout 2021/22, we would not expect this matter to be reported as part of VFM commentary.



Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Council's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

Whole of Government Accounts

Due to the delay in the certification of the 2020/21 accounts the WGA cycle for 2020/21 has now closed for further submissions and so we did not need to complete the WGA review.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, 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 identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
Journals	<p>We note that there is no 'official' authorisation process in place when processing journals therefore a team member could post an erroneous/fraudulent journal which may not be identified.</p> <p>As a mitigating factor, we are aware that budget holders perform a review of their budgets on a regular basis however no evidence is kept on file of this review so there is no way to confirm that they have completed it.</p> <p>We recommend that OCC implement a journal approval process to reduce likelihood of inaccurate or inappropriate journals being processed to implement best practice guidance.</p> <p>In addition we recommend that OCC put in place procedures to evidence the review the budget holders complete to enhance this control and in order to demonstrate it operates effectively.</p>

Appendix A

Audit Fees



Audit Fees

We experienced significant delays with the audit including the correction of errors on property, plant and equipment through a prior period adjustment. We will need to assess the scale of the additional fee and will present this at the next available Audit & Governance Committee meeting.

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Total Audit Fee – Code work	TBC	84,668	105,868
Non-audit work – Teachers Pensions 2020/21 certification	13,500	13,500	13,000

For 2020/21 the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards. The additional fee for 2020/21 once finalised will be discussed with management and remains subject to approval by PSAA Ltd.

We confirm we have undertaken non-audit work in respect of the certification of the Teachers Pensions return for 2020/21.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO.

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