

## **AUDIT & GOVERNANCE COMMITTEE**

**MINUTES** of the meeting held on Wednesday, 19 July 2023 commencing at 1.00 pm and finishing at 4.26 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 Jenny Hannaby  
Councillor Nick Leverton  
Councillor Ian Middleton  
Councillor Judy Roberts

#### **Other Members in Attendance:**

Dr Geoff Jones

### **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) and Shilpa Manek (Democratic Services Officer)

#### Part of meeting

Simon Harper (Head of Governance), Tim Chapple (Treasury Manager), Richard Quayle (Chief Accountant), Declan Brolly (Counter Fraud Team Leader) and Paul Lundy (County Health & Safety Manager)

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.

### **44/23 ELECTION OF CHAIR FOR THE 2023-24 COUNCIL YEAR**

(Agenda No. 1)

The Interim Committee Officer, Shilpa Manek, invited the Committee to elect the Chair for the 2023/24 Council Year. As a result of a nomination from Councillor Ted

Fenton and seconded by Councillor Nick Leverton, it was AGREED that Councillor Roz Smith be elected as the Chair for the 2023/24 Council Year.

#### **45/23 ELECTION OF DEPUTY CHAIR FOR THE 2023-24 COUNCIL YEAR**

(Agenda No. 2)

The elected Chair, Councillor Roz Smith, invited the Committee to elect the Deputy Chair for the 2023/24 Council Year. As a result of a nomination from Councillor Roz Smith and seconded by Councillor Judy Roberts, it was AGREED that Councillor Brad Baines be elected as the Deputy Chair for the 2023/24 Council Year.

The Chair welcomed Councillor Jenny Hannaby onto the Committee and Shilpa Manek as the Committee Officer.

#### **46/23 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 3)

No apologies for absence had been received.

#### **47/23 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 4)

No declarations of interest were received.

#### **48/23 MINUTES**

(Agenda No. 5)

The Committee approved the minutes of the meeting held on 10 May 2023 and authorised the Chair to sign them as a correct record.

Councillor Middleton thanked Officers for response received on the work of the Climate Change Programme Board. Councillor Middleton asked for confirmation that the Board consisted of only Officers and had no Member representation. The Director of Finance, Lorna Baxter, informed the Committee that the Board had only Officers and the work of the Board was reviewed by the portfolio holders, they were presented a report on the work of the Board. A report on the Climate Action Programme-Six-month Update had been presented to Cabinet earlier in the week. The Director of Law and Governance and Monitoring Officer, Anita Bradley, added that there was not always Member involvement in Boards, and it was very important to keep the roles separate. Members oversight would be through the cabinet and Scrutiny processes.

The Chair referenced paragraph 37/23 and asked if there was enough notice on the Social Value Policy and would Members like more information. The Director of Finance informed the Committee that the policy and therefore the social value coming through were still in its early stages and therefore there was not much information. It could be that the policy structure be looked at further and the social values be increased. A report would be presented to Performance Scrutiny Committee in September.

**Resolved: that the minutes of the meeting held on 10 May 2023 were a true and accurate record.**

## **49/23 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 6)

There were no petitions or requests of public address received.

## **50/23 TREASURY MANAGEMENT - OUTTURN REPORT**

(Agenda No. 7)

The Committee received a report from the Treasury Manager, Tim Chapple. It was reported that the Council's outstanding debt totalled £306m and the average rate of interest paid on long term debt during the year was 4.43%. The Treasury Manager reported that £7m of maturing Public Works Loan Board had been repaid during the year and there had been no new external borrowing in 2022/23. The original budget included new external borrowing by £46m and after reviewing the medium-term balances at the end of borrowing rates, the decision was made to the delay by a couple of years to give payable budget of £600,000.

In terms of investment, and given the volatility of the market, security liquidity was prioritised the other considerations. Cash balances were also slightly higher than forecast. When this was coupled with an in-house return of 1.38% for the year, on cash balances of £447.943m, producing a gross interest receivable of £6.845m for the year. Approximately £4m of that overachievement was allocated to capital balances.

In relation to external funds, the position was maintained. Income from the funds for the year was £4.4m, which was above the budgeted figure of £3.8m. The value of the funds dropped by £10.2m as a result of the global volatility in the financial markets.

The following points were raised by the Committee:

- the long-term deposits were coming to maturity date, not very different from the short-term deposits and this was because currently a limit on long-term lending which had been reached. The limit had been set by Full Council at the beginning of the financial year. The medium-term balances were constantly reviewed. It was noted that all the lending was to other local authorities as OCC was the biggest lenders to local authorities and the reason for this was the security was at its highest.
- Currently, £55m was in money market funds which were across lots of different asset classes and sometimes money was deposited with banks on very short-term basis. The external funds took more risk which was why they were a long-term view. The current financial year would be on par.
- the £4m being spent on indexing Section 106 monies were those collected by the Council and held to be spent on infrastructure. The monies that the Council got from developers that was then applied to the capital schemes. There was a local policy that applied inflation to monies received for Section 106. The money then went into the capital program. The money was indexed on it as it could be held for some time before being used. It had been many years since

inflation had been applied to Section 106 monies. It meant that more money was applied to the capital program and less to the revenue account.

- It was clarified that the name of Somerset West and Taunton Council had changed, and it was confirmed that the new Council would take on the responsibility for repaying the loan that was made to the former.
- The Director of Finance explained that every authority had to take decision on what were considered reasonable, prudent, and affordable. When the Section 25 Statement had been completed on the proposed budget for 2023/24, that had been approved, reference had been made to the external borrowing at 5.4% of the net revenue budget, which was quite low in comparison to other local authorities. It depended on the needs that the local authority had. The Council was in a good position that it didn't need to borrow to undertake basic need which other local authorities had to, to meet their statutory need.
- All the Councils portfolios had no reference to what interest was being received on the individual loans and there was no interest rate on the fixed interest rate exposure. The interest rate values were commercially sensitive for the individual loans, this could be shared with the Committee.
- If local authorities went bankrupt, for any precepting authority, the precepts could be increased but that wouldn't happen as any new authority that was established, would take over all the assets and liabilities of the previous authority.

**ACTION: The Treasury Manager to circulate the interest rate values for the individual loans.**

**Resolved: that the Committee noted the report and recommended Council to note the council's treasury management activity and outcomes in 2022/23.**

## **51/23 UPDATE ON STATEMENT OF ACCOUNTS - 2022/23**

(Agenda No. 8)

The Chief Accountant, Richard Quayle, presented the report to the Committee. The 2020/21 accounts had been originally delayed as a result of the valuation issue and the delayed further due to the national infrastructure technical query, which now had statutory override, allowed by CIPFA. A further peer review had been completed and the final points were being cleared up to hopefully signing of the 2020/21 accounts by the end of July 2023.

For the 2021/22 accounts, the fieldwork began between January and March 2023. This was then put on hold whilst the NHS work was carried out. The work had now restarted until September, with further sampling and clarification questions coming in with quick turnaround times.

The 2022/23 accounts had been put on hold in order to allow Officers to respond quickly to the questions from auditors at EY on the 2021/22 accounts. The majority of work for the 2022/23 accounts had been completed with only the pension adjustments outstanding. This had been supported by the Director of Finance.

The following points had been raised by the Committee:

- EY had satisfied themselves on the pension fund review for 2020/21 on the impact of the valuation issues and it was confirmed that this had been resolved.
- For the Council, a late sign-off of accounts carried a very low risk as the auditors were not querying any specific commercial activity or errors in accounts in the accounts. Concerns were only raised where there were issues.
- The Director of Finance commented that the Committee needed to support the Officers in their approach and decision making. The Committee supported the approach taken by the Director of Finance and the decisions taken.
- The Committee were reassured that a new team was now in place to try and get all accounts signed off and then follow the normal cycle of sign off by end of each May.

The Director of Finance informed the Committee about a recent letter that had been sent to all Directors of Finance, Chief Executives, Leaders, and the Local Audit Firm Partners from Minister Rowley, Department for Levelling Up, Housing and Communities. A lot of work had been done across government, this included the Financial Reporting Council, CIPFA, the audit firms and the new Audit, Reporting and Governance Authority (ARGA) body, to reach a consensus where all parties agreed. As a result, there was likely to be a backstop date that was put into place for retrospective accounts. Any accounts not signed off by the date would not receive an audit opinion but would get a qualification or partial qualification. The Director of Finance was going to be speaking with the Head of ARGA, in a national role about making sure that there were no unintended consequences of the proposed dates. The aim for the Team would be to not be near the backstop dates and get all the accounts signed off.

**ACTION: Circulate the letter from the Department for Levelling Up, Housing and Communities**

**Resolved; that the Committee noted the timing for the 2022/23 Statement of Accounts along with the updates on the prior years.**

## **52/23 ANNUAL GOVERNANCE STATEMENT 2022-23**

(Agenda No. 9)

The Monitoring Officer, Anita Bradley, presented the Annual Governance Statement 2022/23 to the Committee. The Monitoring Officer highlighted the key differences taken to the approach this year. As a result of the new Chief Executive being appointed, the opportunity was taken for the Strategic Leadership Team to assure themselves of each service area and their responsibilities. A new section called Service Issues, had been brought forward. The Committee were reminded that the document was a backward look up to 31 March 2023 and would be presented with the Statement of Accounts in January 2024. The Monitoring Officer reassured the Committee that a very thorough assurance process had been followed in the Council and the action plan produced as a result, which would feed into the actions for 2023/24. The action plan was an opportunity to have an honest look of what needed to be addressed to do even better.

The following points were raised by the Committee:

- For future years, could the points be numbered, as they had for 2023/24. This would be very useful for comparing the actions going forward.
- The actions within the Strategic Plan would be monitored as these were part of the framework of the governance of the organisation. The performance against the priorities and the performance indicators was always reported in the business management and monitoring report.
- That the entire process was Officer led with no input from Members except for sign off by the Leader. The members of the Council's Governance Assurance Group were only Officers too, headed by the Monitoring Officer and invited Officers from across the Council to answer questions when required. In terms of challenge of whether the correct things were being looked at, it was always part of the governance processes and ensuring that any signs were spotted, and due diligence was undertaken before entering any new contracts.
- The Annual Governance Statement was a key document in demonstrating that the Council was complying with the best value duty and in understanding areas of weaknesses that needed to be addressed in terms of governance. The government had recently published a new best value standards and intervention guidance document stressing the importance of the Annual Governance Statement.
- That a lot of what was in the Annual Governance Statement was already being done and it seemed that Procurement on new highways on track, had been extremely poor but there was confidence that improvements would be seen in the new contract from the lessons learnt.
- That there had been a substantial increase in complaints which was likely to continue. Mitigations had been put into place to address the problem as it was impacted the Council. A lot of work was being done in this area, picking up complaints at the earliest possible point and dealing with them fully as stage one complaints. A lot of work was being put into improving the quality of the contact with the public and the first response.
- With respect to the FOI requests and the case management software, which was a module of the current complaints management system. The system was being used to capture and log all the requests and the stage they were at, in one central place. The number of FOI and Subject Access Requests had both increased in the last few years for all local authorities.
- That the Capital Governance Team was at full capacity. The implementation of the governance that had been agreed was already in function but there was more to be done. The reporting from that was presented to Cabinet and was very finance focussed but the Team were working towards making it more about project deliverables and outcome based. Specifically, around the financial management code and in terms of services, benchmarking had been carried out to see if the Council were offering value for money. This was much more based around service comparison rather than social value and policy. The Senior Leadership Team were aware of all work being carried out and the Chief Executive had been briefed on the work. In terms of output, any recommendations would be presented to the Committee and then Council.
- Value for Money (VfM) needed to be considered across the entire organisation.
- That the HR policy review had major significance and was for the six main HR policies, considering the lessons learnt from working patterns, flexibility and

the agile working policy and ensuring that the HR policies matched the workforce strategy.

- Member oversight on the policies, could all the policies listed be back on the working group agenda as it would be good to have Member involvement and oversight.
- Cherwell-Oxfordshire Decoupling Programme was the only one remaining and was being reviewed on an annual basis every Autumn.
- The Committee commented that the new layout was very well presented but asked for an extra column for who was responsible for oversight, Cabinet, Committee or the Working Group.

**Resolved: that the Audit & Governance Committee approved the Annual Governance Statement 2022/23, subject to the Monitoring Officer making any necessary amendments in the light of comments made by the Committee, after consultation with the Leader of the Council, the Chief Executive, and the Section 151 officer.**

### **53/23 INTERNAL AUDIT CHARTER**

(Agenda No. 10)

The report was presented to the Committee by Sarah Cox, Chief Internal Auditor. It was reported that the Charter was reviewed each year and this year there had been no changes to the Charter and had been signed off by the Director of Finance. The difference this year was the Quality Assurance Improvement Program and the suggested changes that had been set up in an action plan and progress would be reported to the Committee.

The five-year external assessment was due and had been booked in for the beginning of October. This would include an external auditor from CIPFA who would come and speak to the Chair and Deputy Chair of the Committee and the Director of Finance and the Monitoring Officer and other Directors. The files and processes would be checked take sure that the Council were compliant with public sections and all standards. CIPFA would then produce a report and that would be presented to the Committee in January 2024.

**Resolved: that the Committee approve the Internal Audit Charter and note the Quality Assurance and Improvement Programme.**

### **54/23 COUNTER FRAUD PLAN AND UPDATE**

(Agenda No. 11)

The Chief Internal Auditor presented the Counter Fraud Plan and updated the Committee. Firstly, an update was given on the resources of the team, Declan Brolly was introduced as the new Counter Fraud Team Leader. There was also a Senior Counter Fraud Officer, an apprentice trainee, and a Data Intelligence Officer in the team.

It was reported that during 2022/23, there had been 30 cases received and logged by Counter Fraud of actual, suspected, or alleged fraud/whistleblowing, of which 7 were still open and under investigation. The cases varied from Blue Badge misuse, where

Blue Badges had been seized and warning letters issued, system misuse by employees, and abuse of official resources, resulting in disciplinary action. There had been ten allegations of whistleblowing. In the current year 2023/24, six cases had been reported so far.

The National Fraud Initiatives reports from 2022/23 bi-annual data matching exercises were released in February 2023 and were in the process of being reviewed. There had been 32 reports and 30,864 matches.

Upon conclusion of each investigation, a post investigation report was issued. The report highlighted any weaknesses identified and included agreed actions to prevent, stop, and minimise the risk of reoccurrence. The agreed action plan was monitored for implementation by the team. It had been agreed at the last meeting that an update on recently closed cases and investigation outcomes would be brought to a future meeting of the Audit Working Group.

The 2023/24 Counter Fraud Plan had been structured around the 5 pillars of anti-fraud activity in the Local Government Counter Fraud and Corruption Strategy-Fighting Fraud and Corruption Locally.

The following points were raised by the Committee:

- There had been 8 cases identified for Blue Badges fraud during the on-street enforcement exercises undertaken by the team. The Blue badges that were seized were returned where appropriate with warning letters issued.
- That since the whistleblowing policy had been put into place, people felt comfortable coming forward. Each case was determined by the Monitoring Officer.

If there was more detection of the concessionary travel passes that the Council paid for would there be more money back for the County. The Committee asked if it was worth considering a future audit for this area.

**Resolved: that the Committee noted the summary of activity against the Counter Fraud Plan 2022/23 and approved the Counter Fraud Plan for 2023/24.**

## **55/23 ERNST & YOUNG UPDATE**

(Agenda No. 12)

Ernst and Young were not in attendance at the meeting.

## **56/23 HEALTH AND SAFETY ANNUAL REPORT**

(Agenda No. 13)

The Committee was presented the Health and Safety Annual Report 2022/23 by the County Health and Safety Manager, Paul Lundy.

The H&S Annual Report was a summary of Health and safety performance over the past year and was part of the corporate governance framework. It seeks to provide the Committee with assurance that arrangements for managing Health Safety were suitable and sufficient whilst identifying areas for improvement.



The Committee raised the following points:

- It was surprising that there were no inspections of school play equipment in maintained schools, but for maintained schools, budgets were devolved along with delegated responsibility for repairs and maintenance. Schools valued the importance of outdoor space especially during Covid but in context of general pressures on schools and balancing their budgets and keeping their sites maintained, items such as the maintenance of play equipment sometimes were put to the bottom of the list of priorities. As part of the traded service the Council worked with schools to ensure that play equipment was inspected, and any remedial work was prioritised and carried out by OCC approved contractors.
- There were high incident rates of threats in relation to lone working and staff safety. It had been a priority for the Council to mitigate the violence and abusive behaviour in recent years. The number of alerts raised by staff on the lone worker system was also viewed as a positive indicator as this showed the app was being used. Where alerts were raised, these included accidental activation, failure to clock back in or lone worker seeking reassurance. Whether a genuine alert requiring SOS assistance or accidental, an escalation protocol was followed, and appropriate action taken. Lone working was a key H&S priority and the Council's lone worker and zero tolerance: abusive and threatening behaviour policies had been strengthened.
- The Officer would respond directly to the Deputy Chair on the point about mitigating the risks to life for firefighters as he was unaware of the specific incident referred to in the meeting.

**ACTION: The County H & S Manager to provide a response for the Deputy Chair on the point about mitigating the risk to life for firefighters.**

The points raised by the Committee included:

- Some clarification was given on the diagrams on pages 107-109 of the report to assist in understanding of what they represented.
- The accidents in school playgrounds had gone down during Covid but had started to increase in 2022/23 as life and activity had returned to normal, this was not a surprise. Generally, most accidents in schools tended to be very minor.
- With respects to the health and wellbeing of staff, the Council's Wellbeing Strategy and Action Plan (led by Human Resources as part of the Delivering the Future Programme) set out what was being done as an employer to support employee mental health. There was also an Employee Assistance Programme in place and available to all staff 24/7.
- In respect of agile working, under H&S legislation as an employer, the Council had a responsibility for staff and the equipment they were using whether at home or in the office. A new agile working policy was currently being developed by HR and would provide further guidance in this area which was a key priority for the Council. It was important to look after the staff that could face confrontation when they were on their own. The option to work in the office was always given where appropriate according to operational need.
- It was queried why Polyaromatic Hydrocarbons had not been referenced as they were very hazardous and used on highways.

**ACTION:** The County H & S Manager to provide a response for the Polyaromatic Hydrocarbons question for Councillor Middleton.

**Resolved:** that the Committee noted and accepted the contents of the Health and Safety (H&S) Annual Report and the work of the H&S Team to support services and improve performance keeping employees and customers safe.

**57/23 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2023-24**  
(Agenda No. 14)

The Committee agreed the following changes to the 2023/24 Work Programme:

- To move the Annual Governance Statement from September 2023 to November 2023 Meeting.
- To add the RIPA Policy to the September 2023 Meeting.
- To add the Terms of Reference of the Committee to September 2023 Meeting.
- To add the Update on Statement of Accounts to the September 2023 Meeting.
- To add the Financial Management Code self-assessment to the January 2024 Meeting.
- To add the Ernst & Young Update to the January 2024 Meeting.

**Resolved:** that the next meeting of the Committee be scheduled to begin at 1pm.

Councillor Leverton requested that Parish and District Council Meeting calendars be checked to avoid clashes with the Audit and Governance Committee as he had missed three District Council meetings. The Monitoring Officer would look into this.

**ACTION: Monitoring Officer to investigate clash of dates with District Council meetings.**

The Chair informed the Committee that there would be a private session just before the November meeting with the Chief Internal Auditor at 12.45pm and then with Ernst & Young at 1.15pm.

**ACTION: Committee Officer to send invites for additional private sessions with the Chief Internal Auditor and with Ernst & Young.**

**ACTION: Committee Officer to contact Ernst & Young**

..... in the Chair

Date of signing .....