

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 2 June 2021 commencing at 1.00 pm and finishing at 4.05 pm

### **Present:**

**Voting Members:** Councillor Roz Smith – in the Chair  
Councillor Brad Baines (Deputy Chair)  
Councillor Donna Ford  
Councillor Nick Leverton  
Councillor Dan Levy  
Councillor Jane Murphy  
Councillor Michael O'Connor  
Councillor Judy Roberts  
Councillor Bethia Thomas (as substitute for Cllr Ian Middleton)

**Non-voting Members** Dr Geoff Jones

**By Invitation:** Maria Grindley and Adrian Balmer, Ernst & Young

### **Officers:**

Whole of meeting Sarah Cox, Chief Internal Auditor; Anita Bradley, Director of Law and Governance; Lorna Baxter, Director for Finance; Katherine Kitashima, Audit Manager; Glenn Watson, Principal Governance Officer; Lucy Tyrrell, Committee Officer

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
Item 6, 7, 8 and 9	Hannah Doney, Head of Corporate Finance; Tim Chapple, Treasury Manager

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

## **31/21 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

Apologies were received from Cllr Ian Middleton and Cllr Bethia Thomas attended as substitute.

### **32/21 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 2)

There were no declarations of interest received.

### **33/21 MINUTES**

(Agenda No. 3)

The minutes of 3 March 2021 and 18 May 2021 were agreed.

Item 17/21 – Lorna Baxter, Director for Finance confirmed that all senior management roles have now been filled with the appointment of Bill Cotton, Corporate Director for Environment and Place.

Item 17/21 – Anita Bradley, Director of Law and Governance confirmed that a number of briefings had taken place on the Provision Cycle update, however, will ensure that all new members also receive further information following the all Member briefings.  
**(ACTION)**

Item 17/21 – Anita Bradley, Director of Law and Governance confirmed that the extension of the Skanska contract was approved through Cabinet in May and this extension will last until 2025.

### **34/21 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

None.

### **35/21 AUDIT WORKING GROUP TERMS OF REFERENCE AND APPOINTMENTS TO THE AUDIT WORKING GROUP**

(Agenda No. 5)

Dr Geoff Jones introduced gave an overview of the Audit Working Group which supports the work of the Audit and Governance Committee allowing additional time to review more comprehensive reports as requested.

The Chair requested Members review the Audit Working Group Terms of Reference and consider appointments to the Audit Working Group.

Nominations to the Audit Working Group were received from Councillors Smith, Baines, Ford and Roberts, with substitute members confirmed as Councillors Levy, O'Connor, Murphy and Middleton respectively.

#### **RESOLVED to:**

- a) **Approve the Audit Working Group Terms of Reference; and**
- b) **Appoint the members and substitute members of the Audit Working Group.**

## **36/21 STATEMENT OF ACCOUNTS 2020/21**

(Agenda No. 6)

Hannah Doney, Head of Corporate Finance introduced the Statement of Accounts 2020/21 report which set out the latest position on the preparation of the 2020/21 Statement of Accounts including:

- The latest timetable for the 2020/21 Statement of Accounts and external audit.
- The draft Narrative Statement.
- The draft Going Concern Assessment.

Hannah Doney further highlighted the amended Accounts and Audit (Amendment) Regulations 2021 which include an extension to the deadline for the completion of the external audit from 31 July to 30 September for two years relating to the 2020/21 and 2021/22 accounts. It is currently expected that the Council's draft accounts will be authorised by the Director for Finance for publication on or shortly after 7 June 2021, and published on the County Council's website, which also marks the period of public inspection which must last for 30 working days, and a notification of this publication will be sent to members of the Audit and Governance Committee.

Hannah Doney and Lorna Baxter, Director for Finance responded to Members' queries as follows:

- The Narrative Statement makes reference to the change of administration, however reference to this can also be made on the Corporate Plan. The figures supplied will be different as they relate to last year, as is a 'refresh' rather than 'rework' and will be shown correctly on the updated Corporate Plan later this year.
- The accounting policies are set out in a programme circulated to this Committee in March, and assets are revalued every three years.
- Performance indicators are included in the year end Business Management and Monitoring Report which will be considered by Cabinet in June.
- The year-end underspend position is not what we would usually expect to see. It is due to the exceptional circumstances of COVID, there are areas of overspend in school transport, and also underspend in property.
- Council Tax surpluses arise when collection is higher than predicted by the District and City Councils over the year and are closely linked to growth which is difficult to predict.
- The Business Management and Monitoring Report – March 2021 will be sent to Cabinet for the 22 June 2021 meeting and will include a reflection of the year in more detail.
- The Contain Outbreak Management fund is government funding from November 2020 to support the November/ December lockdown period.

Following on from the Audit and Governance briefing sessions made available to all members of this Committee, it was agreed to run a further detailed briefing on the Statement of Accounts 2020/21, agreed for 23 June 2021. Clerk to organise virtual session. **(ACTION)**

### **RESOLVED to**

- a) **note the latest timetable for the 2020/21 Statement of Accounts and external audit.**

- b) **comment on the draft Narrative Report and Going Concern assessment that will form part of the Statement of Accounts.**

### **37/21 ANNUAL GOVERNANCE STATEMENT**

(Agenda No. 7)

Anita Bradley, Director of Law and Governance introduced the report which monitors and evaluates the effectiveness of governance arrangements in the previous year and sets out any planned changes for the coming period, of which the responsibility of approval sits with this Committee. Anita Bradley further highlighted that it is intended to be a short review of the governance of the administration of the previous year.

The Committee are asked to approve this statement, subject to any necessary amendments in light of comments made by this Committee, and Anita Bradley urged members to do so as this would enable the report to form part of the Council's Statement of Accounts and meet the set timescales.

Dr Geoff Jones expressed his concerns that this report was not made available to the Audit Working Group's previous meeting, and that there are references made to outstanding actions that require assurances they have been dealt with fully. Sarah Cox, Chief Internal Auditor responded that work carried out by the Audit Working Group is not subject to public domain, and issues raised were dealt with fully enabling her to support the opinion of the Annual Governance Statement.

Members questioned the disparity between this document and the Council's constitution regarding the Scheme of Delegation. Anita Bradley assured members that she will undertake this review with Sarah Cox, she further advised that it is a 'backward looking' document, and disparities will be reviewed as part of the constitutional review.

Members thanked Anita Bradley for the report which included Governance Actions, of which Annex 2 included actions identified for 2021/22 and requested timescales be included for ease of monitoring. Anita Bradley advised she will undertake this action.  
**(ACTION)**

**RESOLVED to approve the Annual Governance Statement 2020/21, 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.**

### **38/21 ERNST & YOUNG - PROGRESS REPORT**

(Agenda No. 8)

Maria Grindley and Adrian Balmer from Ernst & Young presented the following reports:

- Oxfordshire County Council Outline Audit planning report Year ended 31 March 2021
- Oxfordshire Pension Fund Audit Plan year ended 31 March 2021

and responded to Members' queries as follows:

- The difference in expert opinion regarding the valuation of assets was presented to the Committee at the previous meeting and related to the valuation of special schools and a small number of primary schools. There has been increased focus and preparational working with the Council which will enable a better position to agree valuations for this year.
- The additional charges relate to changes to accounting standard requirements, how work is carried out through regulators and quality improvements as required. It is standard procedure for all auditing firms in line with PSAA practice.
- Close working practices with Oxfordshire County Council ensure that the liability for the principal or agent when accounting for the risk in COVID grant transactions are consistently recorded.

Adrian Balmer, Ernst & Young introduced the report for the Oxfordshire Pension Fund Audit Plan year ended 31 March 2021 and responded to Members' queries as follows:

- Whilst not a member of the pension team, can confirm that London boroughs do invest in private equity.
- The pension fund has moved to a more environmentally friendly investment, with the changes to Brunel fund.

## **39/21 TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT**

(Agenda No. 9)

Tim Chapple, Treasury Manager introduced his second report of the financial year 2020/21 which set out the position as at 31 March 2021. Tim Chapple confirmed that following a competitive tendering exercise for external advisors in May 2021, we have successfully contracted with Link Treasury Services for three years until 31 May 2024.

Tim Chapple responded to Members' queries as follows:

- CIPFA Code of Practice and treasury management states that we should prioritise security and liquidity above yield.
- The funds invested in have signed up to the UN's Responsible Investment Principles, therefore, although none of them have an explicit ESG policy, they all have a regard to ESG criteria.
- There has been a consultation on the CIPFA Code of Practice of which the results are expected in October 2021 and is expected to include an update on ESG.
- Under the Local Government Act 2003, it is implicit that local governments will not fail, and carries the same risk as lending to national government, therefore the only risks associated are with reputational risk.
- The debt portfolio is historic and at a fixed rate, this debt will be allowed to mature as to pay off early would incur punitive costs.

**RESOLVED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2020/21.**

## **40/21 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR**

(Agenda No. 10)

Sarah Cox, Chief Internal Auditor introduced the report which summarised the outcome of the Internal Audit work in 2020/21 and provided an opinion on the Council's system of Internal Control. The opinion is one of the sources of assurance for the Annual Governance Statement.

The report set out the basis for the opinion of which was that there is satisfactory assurance regarding Oxfordshire County Council's overall control environment and the arrangements for governance, risk management and control. The report concluded with the performance in achieving the target date for the exit meeting for each assignment which has been impacted upon due to COVID pressures.

Sarah Cox responded to Members' questions as follows:

- Performance indicators reflect the position achieved due to the impact of COVID, however it is important to note that moving forward, there is a robust team in place, and reports are responded to on a timely basis.
- We joined Hampshire IBC in 2015 to enable a self service system that we could not provide at the time, however a review of this service would be beneficial.
- Although the Music Service has actions outstanding, these are not considered to be RED, and are in the process of being completed.
- The full Audit Report has detailed findings within its action plan, it is updated through our electronic system, and we also ensure that timeframes continue to be realistic and adjusted if necessary.
- Areas with RED reports are monitored through the Audit Working Group (AWG) and CEDR, until assurances are reached and agreed.
- It is not guaranteed that councils will always achieve a satisfactory opinion, we use the same grading system and are externally audited to ensure we are able to demonstrate that opinion.
- The Committee are able to request further reports to be scrutinised more closely by the AWG.
- The outstanding audit of the Order of St Johns Contract should be finalised for the next meeting of the Committee.

**RESOLVED to consider and endorse this annual report.**

## **41/21 INTERNAL AUDIT STRATEGY & ANNUAL PROGRESS PLAN 2021/22**

(Agenda No. 11)

Sarah Cox, Chief Internal Auditor, introduced the report which presented the Internal Audit Strategy and Internal Audit Plan for 2021/22 and notified that a separate plan for Counter-Fraud Activity will be presented to the July 2021 Committee.

Sarah Cox advised that due to limited resources, focus has been on key areas and the plan will change throughout the year being presented to the Committee again in September 2021 and January 2022.

Sarah Cox responded to Members' queries as follows:

- Time and budget allocation of audits is dependent on considered risk and activity level and are not proportioned by Directorate.
- The new Provision Cycle has increased the focus on all directorates to ensure sound contract management, and this will affect audit activity over the next year.
- Since April 2020, joint audit arrangements for CDC were implemented, and extended to the Counter-Fraud service from 2021 which enabled a more sustainable team with additional resources. Time is proportioned by size and need.
- The internal audit plan when next presented in September will include rough indicators of the quarters, enabling a better system of monitoring for members. **(ACTION)**.

Cllr Dan Levy requested that when undertaking the sample for capital programmes of highways asset management, could an allocation of active travel schemes be included along with a compliance of highways teams in practice to the policies set by OCC? Sarah Cox agreed that these requests will be considered as part of the internal audit scoping process. **(ACTION)**.

**RESOLVED to comment and note the Internal Audit Strategy and Internal Audit Plan for 2021/22.**

**42/21 AUDIT WORKING GROUP REPORT**  
(Agenda No. 12)

Dr Geoff Jones introduced this report which summarised the meeting of the Audit Working Group meeting held on 28 April 2021. He further highlighted the update on the current counter-fraud investigations that are in progress, including cases that have been referred to the police, of which the conclusions will be reported back to the Audit Working Group and Audit & Governance Committee.

**RESOLVED to note the report.**

**43/21 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2021/22**  
(Agenda No. 13)

There were no changes noted to the Audit & Governance work programme.

..... in the Chair

Date of signing .....