

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 21 July 2021 commencing at 2.00 pm and finishing at 4.00 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 Ian Middleton
Councillor Michael O'Connor
Councillor Sally Povolotsky (as substitute for Cllr Judy Roberts)

Other Members in Attendance: Dr Geoff Jones

By Invitation: Adrian Balmer, Ernst & Young

Officers:

Whole of meeting Sarah Cox, Chief Internal Auditor; Anita Bradley, Director of Law and Governance; Lorna Baxter, Director of Finance; Tessa Clayton, Audit Manager; Lucy Tyrrell, Committee Officer

Part of meeting

Agenda Item	Officer Attending
Item 1-6	Hannah Doney, Head of Corporate Finance

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.

44/21 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Councillor Judy Roberts and Councillor Sally Povolotsky attended as substitute. Apologies were also received from Councillor Jane Murphy with no substitute.

45/21 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

None.

46/21 MINUTES

(Agenda No. 3)

The minutes of 2 June 2021 were agreed by the Committee as an accurate record and Councillor Baines exercised his right to require his individual vote to be recorded against item 33/21 as he was of the view that the minute relating to the Annual Governance Statement was not sufficiently detailed and did not include all of Members' comments or suggested additions relating to democratic matters, public participation and transparency; and mitigation of risks relating to the receipt of COVID-19 grant funding. It was further noted that the Committee Members had not had circulated to them the final version of the Annual Governance Statement as amended under the delegation given to the Director of Law and Governance.

Anita Bradley, Director of Law and Governance advised that the minute is not a verbatim account of the meeting as this is not the style of the Council, and what the Committee had before it was an accurate reflection of the tenor and outcome of the Committee discussion on 2 June 2021.

47/21 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

None.

48/21 STATEMENT OF ACCOUNTS 2020/21

(Agenda No. 5)

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

- Authorisation of the Draft Accounts and Period of Public Inspection
- Progress on the external audit
- Agreed amendments to the draft Statement of Accounts
- Conclusion of the audit.

Hannah Doney further highlighted that the following:

- The draft Statement of Accounts were authorised for issue on 24 June 2021 and published alongside the Annual Governance Statement on the annual accounts and audit page of the County Council's website. The period of public inspection commenced on 25 June 2021 and will conclude on 6 August 2021 after 30 working days.
- The external audit commenced on 7 June 2021, however due to a delay in receiving the data collection tool kit released by central government, work on the Whole Government Accounts has not yet started.

- If unadjusted differences arise these are reported via the Letter of Representations, which will include the management's rationale for not correcting the misstatement which must be approved by this Committee or by approved delegation.
- A recommendation has been raised in respect of journal authorisation via the Council's self-service finance model, which has been in place since 2015. Our understanding is that this has also been raised at Hampshire County Council, they chose to tolerate that risk, however we will look at how we can address this through training with managers.

Hannah Doney and Lorna Baxter, Director of Finance proceeding to respond to Members' queries as follows:

- The responsibility for constructing new schools and expansion of existing schools lies with the Council, however the statutory power to open a new school lies with the academy trust. Therefore, we do carry this risk, and Section 106 funding and government funding from developers is rarely enough to cover all of these costs, however this has not been an issue in Oxfordshire to date. Further analysis of the capital programme would supply this information and can be provided if requested.
- We are consistent in our accounting treatment of spend on academy schools. Where a school is under licence and already operating under the academy trust, expenditure is written out as REFCUS (Revenue Expenditure Funded by Capital Under Statute) in the year the expenditure occurs as the school is not the Council's asset.
- The difference shown between the 2019/20 and 2020/21 remeasurement of the net defined benefit liability (asset) is contributed to the adjustments made by the actuaries, of which was questioned and challenged, and found to be due to the longevity, inflation and future pay awards, rather than just the McCloud assumptions.
- The increase in receipts in advance (note 39) is due to holding more developers' contributions, which are held for future expenditure on capital schemes. It also includes some security bonds that we hold until obligations are met by the developers.
- The increase in payments in advance (note 36) is due to one payment to Highways England for a capital scheme that will be delivered in future years.

Councillor Baines further questioned the referencing of the minutes of this Committee being passed to the external auditors and questioned what qualification they would be taking in relation to this? Adrian Balmer, Ernst & Young responded that they generally review minutes of Committee meetings as part of their understanding of the business and sign off as an overall risk assessment of the Council and how audit strategy is developed and impacted.

Anita Bradley, Director of Law and Governance in response to Councillor Baines' query advised that the amendments requested from this Committee at the last meeting regarding the Annual Governance Statement, had been included within the final statement included within these accounts.

RESOLVED to:

- (a) Consider and approve the Statement of Accounts 2020/21 at Annex 1;**

- (b) Consider and approve the Letter of Representations 2020/21 for the Oxfordshire County Council accounts at Annex 2;
- (c) Consider and approve the Letter of Representations 2020/21 for the Oxfordshire Pension Fund accounts at Annex 3;
- (d) Agree that the Director of Finance, in consultation with the Chair of the Committee (or Deputy Chair in their absence), can make any further changes to the Statement of Accounts 2020/21 and letters of representation that may arise during completion of the audit.

49/21 EXTERNAL AUDITORS - FINAL ACCOUNTS

(Agenda No. 6)

Adrian Balmer from Ernst & Young presented the following report; Oxfordshire County Council Draft Audit results report Year ended 31 March 2021 and highlighted the following:

- The continued impact of the COVID-19 pandemic increases the risk to materiality, however rigorous risk assessed consultation processes are in place to ensure the right assurances to the Council are provided.
- The announced change to the publication date for final, audited accounts has moved from 31 July to 30 September 2021 due to new regulations as a result of COVID-19 and good progress is being made towards that date.
- Noted the additional audit procedures due to COVID-19.
- Further to the previously reported changes in the Audit Plan, the Council is assessed against three sub-criteria; financial sustainability, governance and improving economy, efficiency and effectiveness and the status of the VFM report is well advanced and will report back to the September Committee.
- This change will be reported differently this year, the commentary against 14/15 questions will be factual with no assumptions.
- Potential for further differences can arise as the audit is still ongoing and will be reflected in the updated audited accounts.

Adrian Balmer and Hannah Doney responded to Members' queries as follows:

- Would expect the going concern disclosure note be updated on the going concern to reflect additional information that would be useful for readers of the financial statement, however noted that there are no specific concerns.
- Audit fees are set by the PSAA, and advised new Members that it would be worthwhile for them to review the previous Committee papers detailing the Redmond Review for more information.
- The MHCLG have announced an additional £15m to support the audit process to reflect the additional costs incurred by Councils.
- The auditors had expressed concern regarding how the unaudited accounting reserves were accounted for, and the issue is not around the high needs deficit of which Lorna Baxter advised Members of a Cabinet report which informed of a consultation to address this position. Lorna Baxter also informed Members that information on funding for next year has been received from the government which is more than expected.
- Market volatility refers to 2019/20 accounts and the impact of COVID-19, and assets valued under existing use value, and is a reflection of whether this has carried onto the 2020/21 accounts.

The Committee wished to thank Hannah Doney for all her work at her last meeting for the Committee.

50/21 INTERNAL AUDIT CHARTER

(Agenda No. 7)

Sarah Cox, Chief Internal Auditor introduced the report which presents the Internal Audit Charter and Internal Audit Quality Assurance Programme for 2021/22 which are subject to annual review.

The Charter sets out the purpose, authority and responsibility of Oxfordshire County Council's Internal Audit function, in accordance with the PSIAS and is subject to approval by this Committee on an annual basis. Sarah Cox highlighted that there have been no material changes since the Charter was last approved by the Committee in July 2020, and only minor changes under the 'fraud' section to reflect the dedicated counter-fraud team that has now been established within Internal Audit.

Sarah Cox, in response to a query by Councillor Baines stated that the key performance indicators designed to improve Internal Audit's effectiveness and efficiency were contained within the Annual Audit Plan presented at the last Committee meeting, and will be reported against performance at the September, December and year end Committee meetings.

RESOLVED to:

(a) **Approve the Internal Audit Charter.**

(b) **Note the Quality Assurance and Improvement Programme.**

51/21 COUNTER FRAUD PLAN

(Agenda No. 8)

Sarah Cox, Chief Internal Auditor introduced this report which presents the Counter Fraud Plan for 2021/22 and a review of activity from 2020/21 with the updated Counter Fraud Strategy included to note in Appendix 3.

The plan supports the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.

Sarah Cox and Tessa Clayton, Audit Manager responded to Members' queries as follows:

- The proposed methodology for Blue Badge enforcement is being drafted and will be shared with Members when finalised with an updated review via the Audit Working Group.
- Work with the Parking Team on undertaking Blue Badge holder checks is currently taking place, and this information will be included as part of the plan, following changes taking place in November.
- Money laundering procedures are in place with a dedicated Money Laundering Officer, which are enforceable through the contract management arrangements. Lorna Baxter, Director of Finance also advised that additional checks are

undertaken on large sums of cash or cheques received as part of our accounting processes.

- Fraud referrals and investigations are not closed down until appropriate control environments are in place and the right sanctions applied. All cases are monitored on a monthly basis through an internal process, however are not monitored against performance measures.
- A key part of the work involves working across geographical boundaries, building good networks and sharing knowledge, joint working practices with CDC are highlighting these benefits. There are national systems for alerts, however noted points regarding promotion of fraud concerns with Members to ensure that all Parish and District Councils are able to access this information.

Tessa Clayton, in response to Members' concerns that the Anti-Fraud and Corruption Strategy states that fraud will be dealt with in a consistent and proportionate manner is inconsistent with its claim that the Council is committed to a zero-tolerance approach to fraud, corruption and theft, advised that the level of response given to an individual fraud is proportionately in line with the scale of the fraud and is mindful of the expected response from any Police involvement. Anita Bradley, Director of Law and Governance assured Members that good working relationships enabling collaborative working practices with the Police is paramount to ensuring that we only refer cases that meet current thresholds to be eligible for investigation by their level of fraud, and is content with the current arrangements in place.

RESOLVED to:

- (a) **Note the summary of activity from 2020/21 in Appendix 1**
- (b) **Note the updated Counter Fraud Strategy and Performance Framework in Appendix 2 and Appendix 3**
- (c) **Comment and note the Counter Fraud Plan for 2021/22.**

52/21 AUDIT WORKING GROUP REPORT

(Agenda No. 9)

Dr Geoff Jones introduced this report which summarised the meeting of the Audit Working Group meeting held on 23 June 2021. He advised that the risk management system is evolving and being strengthened and welcomed further discussions on the most appropriate organisation moving forward.

RESOLVED to note the report.

53/21 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2021/22

(Agenda No. 10)

Anita Bradley, Director of Law and Governance, agreed to commence the work on the Constitutional Review work programme at the September meeting to enable the formulation of a working group and work programme to take this item forward.

..... in the Chair

Date of signing

