

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 17 July 2019 commencing at 2.00 pm and finishing at 4.55 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair
Councillor Tony Ilott (Deputy Chairman)
Councillor Paul Buckley
Councillor D. McIlveen
Councillor Glynis Phillips
Councillor Les Sibley
Councillor Roz Smith
Councillor Ted Fenton (In place of Councillor Charles Mathew)
Councillor Mike Fox-Davies (In place of Councillor Dr Simon Clarke)

Non-voting Members: Dr Geoff Jones

By Invitation: Janet Dawson and Sue Gill, Ernst & Young

Officers:

Whole of meeting Lorna Baxter, Director of Finance; Sarah Cox, Chief Internal Auditor; Colm Ó Caomhánaigh, Committee Officer

Part of meeting

Agenda Item	Officer Attending
9	Hannah Doney, Strategic Finance Manager (Accounting and Reporting)
12	Owen Jenkins, Director of Community Operations; Paul Fermer, Assistant Director Community Infrastructure
13	George Eleftheriou, Director for Property, Investment and Facilities Management

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 and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and additional documents, copies of which are attached to the signed Minutes.

44/19 ELECTION OF CHAIRMAN FOR THE 2019/20 COUNCIL YEAR

(Agenda No. 1)

Councillor Mike Fox-Davies moved and Councillor Tony Ilott seconded that Councillor Nick Carter be elected Chairman of the Committee for the 2019/20 Council Year.

Councillor Paul Buckley moved and Councillor Glynis Phillips seconded that Councillor Roz Smith be elected Chairman of the Committee for the 2019/20 Council Year.

Both nominations were put to a vote. There were 4 votes for Councillor Nick Carter and 4 votes for Councillor Roz Smith.

The meeting adjourned briefly.

Both nominations were put to a second vote. There were 5 votes for Councillor Nick Carter and 4 votes for Councillor Roz Smith.

RESOLVED: that Councillor Nick Carter be elected Chairman of the Committee for the 2019/20 Council Year.

45/19 ELECTION OF DEPUTY CHAIRMAN FOR THE 2019/20 COUNCIL YEAR

(Agenda No. 2)

Councillor Nick Carter moved and Councillor Mike Fox-Davies seconded that Councillor Tony Ilott be elected Deputy Chairman of the Committee for the 2019/20 Council Year.

RESOLVED: that Councillor Tony Ilott be elected Deputy Chairman of the Committee for the 2019/20 Council Year.

46/19 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 3)

Apologies were received from Councillor Dr Simon Clarke (Councillor Mike Fox-Davies substituting) and Councillor Charles Mathew (Councillor Ted Fenton substituting).

47/19 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 4)

In relation to Agenda Item 12, Councillor Roz Smith declared that she was also a councillor for Oxford City Council.

48/19 MINUTES

(Agenda No. 5)

The minutes of the meeting of 8 May 2019 were approved and signed.

The Chairman noted that the Report of the Peer Review, referred to in the last bullet point under Item 33/19, has been circulated to all Members.

The Chairman also proposed that a further update on the Carillion Recovery Plan be scheduled for the November meeting.

49/19 EXEMPT ITEM

(Agenda No. 6)

50/19 EXEMPT MINUTES

(Agenda No. 7)

The exempt minutes of the meeting of 8 May 2019 were approved and signed.

51/19 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 8)

Julia Spragg, Fossil-Free Oxfordshire, addressed the Committee regarding Items 9 and 10. She stated that she had addressed the Committee in January raising concerns about how the Oxfordshire Pension Fund Committee was procuring its independent financial advice. Despite the Director of Finance's justification for current practice, the concerns remain and in view of the Climate Emergency acknowledged by the County Council earlier this year the group wished to reiterate those concerns.

She noted that signing off past years' audits had been delayed by an objection to the 2016/17 Pension Fund accounts concerning the management of the risk posed by the Fund's investments in fossil fuels. She was hoping to find out at this meeting whether or not they will uphold this objection.

Julia Spragg cited warnings by the Pensions Minister and the Governor of the Bank of England of the risks involved in investments in fossil fuels. Almost 1,000 institutional investors have made the pledge to sell-off their coal, oil and gas investments and Ireland has become the first nation to commit to divest.

She asked the Committee to consider two things: in view of the Council's acknowledgement of a Climate Emergency, to ensure that the Pension Fund Committee follows County Council policy and general good practice in obtaining the best independent financial advice; and to use its influence to pursue and resolve the outstanding objection to the 2016/17 Pension Fund accounts with the External Auditors.

52/19 STATEMENT OF ACCOUNTS 2018/19

(Agenda No. 9)

Hanna Doney introduced the report and apologised for the late circulation of the Annexes. This was in order to ensure that the Committee had the most up-to-date figures. Annex 3 on Page 163 of the Addenda listed the adjusted differences to the Unaudited Statement of Accounts 2018/19.

Officers responded to issues raised by Members as follows:

- The “Fair Value” of investments is a snap-shot taken on 31 March.
- The investment strategy specifies that 50% of the portfolio may be invested with external fund managers and pooled funds – not 50% of the cash balances.
- The draft accounts have been available since 31 May 2019. This report sets out any differences from that draft.
- Cabinet has approved an alternative way of making savings in Home to School Transport for over 16s with SEN but there is still a risk of overspend in the current year due to the demand and complexity of needs.

The following matters were noted by Members:

- Expenditure on Children’s Services exceeded that on Adult Services for the first time.
- The targets for reducing carbon emissions and improving air quality need to be more ambitious given the Council’s acknowledgement of the climate emergency.
- Is 64 still an appropriate upper limit on “working age” given that retirement age is now more commonly older than that?

It was agreed that, given the late circulation of the annexes, Members could email comments to the Chairman and Officers over the following week before the accounts are signed by the Chairman and Director of Finance at the end of the month.

RESOLVED: to

- (a) Consider and approve the Statement of Accounts 2018/19 at Annex 1;**
- (b) Note the Summary Accounts 2018/19 at Annex 2;**
- (c) Agree that no changes are required to the Annual Governance Statement, previously approved by the Committee on 8 May 2019;**
- (d) Consider and approve the Letter of Representations 2018/19 for the Oxfordshire County Council accounts at Annex 4;**
- (e) Consider and approve the Letter of Representations 2018/19 for the Oxfordshire Pension Fund accounts at Annex 5;**
- (f) Agree that the Director of Finance, in consultation with the Chairman of the Committee (or Deputy Chairman in his absence), can make any further changes to the Statement of Accounts 2018/19 and / or letters of representation that may arise during completion of the audit.**

53/19 EXTERNAL AUDITORS

(Agenda No. 10)

Janet Dawson introduced the OCC Audit Results Report. Work was still on-going but she anticipated an unqualified statement and expected a conclusion on the objection on LOBO loans so that the 2015/16 audit can be finally signed-off.

She responded to Members’ questions as follows:

- The LOBO loan objection involved more than a dozen local authorities. It was a national issue. Auditors had to go through each LA step by step and ensure compliance and consistency.
- Auditors cannot comment on the detail of the 2016/17 objection related to fossil-fuel investments other than to say that they are of the view that there will be no impact on the Statement of Accounts. A provisional position has been reached but objectors have the opportunity to comment. It is coming close to the end of the process.

The Chairman invited Members to channel any further comments through him given the late circulation of the OCC Report.

Sue Gill introduced the Oxfordshire Pension Fund Audit Results Report. She along with Lorna Baxter responded to Members' questions as follows:

- Additional charges in 2017/18 cover extras such as the change of custodian and were approved by the Director of Finance.
- To give assurance regarding governance of the Brunel Pension Partnership auditors will ensure policies are up to date and check minutes of meetings.
- The Director of Finance is the shareholder for OCC and attends meetings.
- The Brunel Pension Partnership accounts are audited separately by private audit standards.

RESOLVED: to note the reports.

54/19 TREASURY MANAGEMENT OUTTURN 2018/19

(Agenda No. 11)

The Chairman clarified that the recommendation on the Agenda was incorrect. The Committee was just recommended to note the report. Only Cabinet could recommend that Full Council note the Treasury Management Activity.

Lorna Baxter introduced the report which had been discussed by Cabinet on the previous day. She drew particular attention to the benchmarking charts on Agenda Page 65 which showed that the Council gets an above average return with lower than average risk.

She responded to Members' questions as follows:

- The net overachievement (paragraph 6) was as a result of the base rate and cash balances being higher than expected.
- The benchmarking used by the Council is fairly standard and not under-ambitious.
- Portfolios differ – the graph on Agenda Page 66 shows that this Council has much more in Local Authority deposits than the average.
- In relation to Counterparties suspended (page 59), Arlingclose advise the Council and this is updated on a daily basis.

RESOLVED: to note the report.

55/19 OXFORD DIRECT SERVICES WORK ARRANGEMENT

(Agenda No. 12)

Owen Jenkins gave a presentation on the Council's work arrangements with Oxford Direct Services for highways in the city area. He and Paul Fermer responded to issues raised by Members as follows:

- It was expected that the arrangement should improve efficiencies. For example, a city-based service would need less travelling. It appears to be working well so far but a detailed assessment is needed and officers will return to the Committee when that analysis is available.
- The number of complaints on Fix My Street is down and responses are quicker.
- The KPIs help to make comparisons and Member feedback is important too.
- Frideswide Square and Queen Street are make-safe only because specialised materials are needed and the County Council will either provide additional funding or make the materials available.
- ODS will report when they believe that resurfacing is needed. Such reports go to the Asset Management Team.
- The small size of the line-painting budget is an issue. The focus is on safety and statutory requirements.
- It was agreed that the forward plan of works needs to be available for the process to be more transparent.

Members questioned whether the number of reports on Fix My Street was an accurate indicator. They felt that many people have become resigned to pot-holes and have stopped reporting them.

56/19 REVIEW OF CORPORATE SECURITY

(Agenda No. 13)

George Eleftheriou gave a presentation to update Members on the current state of the review of Corporate Security. The goal is to create a security service OCC-wide, managed from one service area in the organisation. It is a large piece of work to identify all the current individual security functions and arrangements across the Council.

One of the issues is the fact there does not seem to be any security specific related budget and any spend in relation to security sits with each individual service area to manage.

Councillor Roz Smith suggested that any new CCTV upgrade should link to the City Council's existing system, however this will need to be reviewed and assessed in accordance with the security service specification which is going to be produced and if applicable.

It was agreed to take the next update on the review at the November meeting.

57/19 COUNTER FRAUD STRATEGY AND PLAN FOR 2019/20

(Agenda No. 14)

Sarah Cox introduced the report and responded to Members questions as follows:

- The multi-disciplinary approach referred to in paragraph 6 means having all relevant people in the discussion, for example legal, children's services.
- The Chief Internal Auditor met with the Head of Fraud at West Oxfordshire District Council to further improve linkages there. This is particularly important in improving prevention of fraud.
- The Council has not pulled out of its arrangements with the City Council on Single-person Discounts. There have been communications issues there but the work is continuing in part.
- With Direct Payments, where there used to be one or two cases reported annually, there are now 10 to 20 cases of financial abuse by or against a service-user. One case potentially in excess of £40,000 was referred to the police but no action has been taken yet. OCC's focus is on prevention.
- The whistleblower pages were reviewed to ensure that staff were clear on the names and numbers they could contact.

RESOLVED: to

- a) note the summary of activity from 2018/19; and**
- b) comment and note the Counter Fraud Strategy and Plan for 2019/20.**

58/19 INTERNAL AUDIT CHARTER

(Agenda No. 15)

Sarah Cox introduced the report. The Committee is required to approve the Internal Audit Charter on an annual basis. Internal Audit was assessed by CIPFA in November 2017 with a positive outcome.

Geoff Jones noted that among the key duties was approval of the Internal Audit budget. Sarah Cox responded that the Committee gets a breakdown on the how the work days are split. She suggested that perhaps the word "approval" might be taken out.

Councillor Roz Smith noted that the mission statement on the top of Agenda Page 96 was a very useful definition of what internal audit does.

RESOLVED to:

- a) approve the Internal Audit Charter; and**
- b) note the Quality Assurance and Improvement Programme.**

59/19 AUDIT WORKING GROUP REPORT

(Agenda No. 16)

Sarah Cox introduced the report. Much of the discussion at the Working Group meeting surrounded training. In September the Committee will have private briefings with the internal and external auditors before the main meeting.

She proposed to have a session before the November Committee meeting on the CIPFA guidance for Audit Committees. The self-evaluation document will be circulated in advance. Such a session may identify further training needs.

Training on counter-fraud will be organised after that and All-Member training on Section 106s will also be organised for the autumn.

Geoff Jones expressed concern that there may be too much focus on the IT procurement aspect of the S106 issue which may only postpone a solution.

Councillor Ted Fenton referred to difficulties in getting information on S106s. He said that he is usually referred to the legal document which is very difficult to understand.

The Chairman asked that the Strategic Director for Communities be invited to the next Working Group discussion on S106s.

RESOLVED: to note the report.

60/19 WORK PROGRAMME

(Agenda No. 17)

It was agreed to change the date of the Committee meeting in July 2020 from 15 July to 22 July.

The following changes were agreed to the Work Programme:

11 September 2019

The Oxford Direct Services audit item will be taken under the Internal Audit Plan – Progress Report.

13 November 2019

Add the following items-

Financial Management Code (Lorna Baxter)

Update on the Carillion Recovery Plan (Owen Jenkins)

Corporate Security Update (George Eleftheriou)

..... in the Chair

Date of signing