

## **AUDIT & GOVERNANCE COMMITTEE**

**MINUTES** of the meeting held on Wednesday, 22 July 2020 commencing at 1.00 pm and finishing at 4.20 pm

**Present:**

**Voting Members:** Councillor Nick Carter – in the Chair

Councillor Tony Ilott (Deputy Chairman)  
Councillor Paul Buckley  
Councillor Dr Simon Clarke  
Councillor Charles Mathew  
Councillor D. McIlveen  
Councillor Glynis Phillips  
Councillor Roz Smith

**Non-voting Members:** Dr Geoff Jones

**By Invitation:** Adrian Balmer, Ernst & Young

**Officers:**

**Whole of meeting** Sarah Cox, Chief Internal Auditor; Steve Jordan, Corporate Director Commercial Development. Assets and Investment; Glenn Watson, Principal Governance Officer; Sukdave Ghuman, Head of Legal; Lorna Baxter, Director for Finance; Lucy Tyrrell, Committee Officer

**Part of meeting**

<b>Agenda Item</b>	<b>Officer Attending</b>
5 & 6	Hannah Doney, Head of Corporate Finance
7	Tim Chapple, Treasury Manager
10&11	Katherine Kitashima, Audit 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.*

## **23/20 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

There were no apologies for absence.

Cllr Jeanette Matelot advised she will continue to attend the Committee on a temporary basis.

## **24/20 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 2)

There were no declarations of interest.

## **25/20 MINUTES**

(Agenda No. 3)

The minutes of 27 May 2020 were agreed.

Item 16/20 – The Oxford City Agency Agreement was due to be updated at the September AWG meeting, however this has now been pushed back to the October AWG meeting to allow for reports to be presented to Informal Cabinet before coming before the Committee.

Item 21/20 – Sarah Cox reassured the Committee of the continuing transformation items being part of the audit plan and brought to this Committee, and at the next Committee meeting, Wayne Welsby will update on the Provision Cycle. Cllr Carter advised that he is liaising with Cllr Brighthouse to ensure that any items requiring further discussion are picked up in either Committee.

## **26/20 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

None received.

## **27/20 STATEMENT OF ACCOUNTS 2019/20**

(Agenda No. 5)

Hannah Doney introduced the report to the Committee and highlighted that further changes to the accounts are likely as part of ongoing discussions with the Auditors. This year, due to COVID-19, the Auditors have a greater focus on the going concern evaluation which requires them to look forward 12 months to check that the organisation has sufficient resources. The accounts have been completed on an ongoing concern basis, we will be working with the Auditors through this and we will be adding additional text to Note 1 of the accounts to be explicit as to why we are a going concern. The additional information will include:

- Actions being taken i.e. review of the budget to identifying potential savings to meet the funding gap identified for 2020/21.
- Additional information about the level of our reserves.

E&Y will take a consistent approach across all local government audits and will be evaluating their going concern opinion alongside other council audits.

Recommendation **d)** has been included to reflect the likelihood of changes to the Letters of Representation and Statement of Accounts because of ongoing audit work. Therefore, the Committee is asked to agree that the Director of Finance, in consultation with the Chairman of the Committee, can make any further changes to the Letters of Representation and Statement of Accounts that may arise during completion of the audit.

Lorna Baxter and Hannah Doney responded to points raised by members of the Committee as follows:

- The accounts will be signed off at the end of August / beginning of September, and this confirmation can be emailed for the Committee's attention.
- The Committee should request information regarding the auditor's comparative works across Councils directly from E&Y, however the expenditure related to covid-19 information will be reflected in the 2020/21 accounts.
- The earmarked reserves are for revenue and are broken down in Note 44. The grants and contributions reserve included grant funding received from government in March 2020 for use in 2020/21 which will be utilised against additional COVID expenditure. Other earmarked reserves could also be used if necessary.
- The position reflected in the accounts are at a point in time, and the council is working towards a position of revised budget, which will demonstrate a suitable position at the end of the year.
- The contingency budget for the current year (2020/21) is £4m and is changed annually in line with risks across the organisation. From the previous year (2019/20) we did not use all of our contingency budget. There was a planned contribution from balances of £6m. The underspend reduced the contribution to £3.8m. This is the movement on general balances set out in the accounts.

**RESOLVED to:**

- (a) Consider and approve the Statement of Accounts 2019/20 at Annex 1;**
- (b) Consider and approve the Letter of Representations 2019/20 for the Oxfordshire County Council accounts at Annex 3;**
- (c) Consider and approve the Letter of Representations 2019/20 for the Oxfordshire Pension Fund accounts at Annex 4;**
- (d) 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 2019/20 and letters of representation that may arise during completion of the audit.**

## **28/20 ERNST & YOUNG - FINAL ACCOUNTS AUDIT PROGRESS**

(Agenda No. 6)

Adrian Balmer presented the report 'Oxfordshire County Council Draft Audit Report – Year ended 31 March 2020 and noted the following:

- Following guidance issued in March, risk assessments have been increased on valuations, our internal valuers have been instructed to review assets and advise of their opinion on material uncertainty. This work is ongoing.
- All of our valuers are RICS valuers or fellows of RICS, the valuations are worked through by the valuers and internal actuaries.

- There are increased challenges faced through virtual working, how evidence is reviewed and verified to ensure it is complete and accurate.

Adrian Balmer responded to member's questions as follows:

- Risk assessments have been amended to be mindful of COVID, no issues have been identified in the 2019/20 accounts but will be rather looking forward to the 2020/21 accounts.
- As the contract with Carillion is terminated, the legal position is not being reviewed, however depending on when the accounts are officially signed off, there could be post balance sheet adjustments to take account of.

Adrian Balmer also presented the report 'Oxfordshire Pension Fund 2020/21 Draft Audit Results Report and advised the key thing to note is around the working valuations. Fluctuations have been identified as a significant risk since COVID and some of these have increased. There are elements of property that have to be reflected and risk assessments updated.

Adrian Balmer responded to members questions as follows:

- OCC does not have a significant investment portfolio, and at £23 million there is no significant exposure, this is a positive and helps to give a more stable perspective than other authorities that have borrowed more extensively.
- The audit fees were agreed in 2016, however there is an acknowledgement that the pension fund with £2billion worth of assets is not commensurate with the amount of work undertaken. As the expectation from our regulators has increased since the base fees were agreed in 2016, the pressure on those fees has increased.

Members thanked Adrian Balmer for the reports and his presentation.

## **29/20 TREASURY MANAGEMENT OUTTURN 2019/20**

(Agenda No. 7)

Tim Chapple introduced the report and highlighted that the prudent decisions made in 2020 to increase lending limits has enabled the Treasury Team to secure deposits in other authorities and has therefore secured budgets for 2020/21, and also some way toward 2021/22.

Tim Chapple responded to points raised by members of the Committee as follows:

- The terms of Section 114 preclude any new contractual arrangements and expenditure; however, this does not preclude paying debts. Therefore, Councils are not expected to 'go bust', they are forced into forming a new Council, and any debts and assets are transferred to the new entity so there is no risk to lost capital. There are no concerns regarding credit, however there are potential timing issues, and these are being monitored within the team.
- Any Council threatening a Section 114 notice would be a political decision to not lend to that council, however until they issue a Section 114 notice, we would take the view that they are underwritten by the government and there is no credit risk.
- For long term and short-term fixed term deposits, there is a hard limit for those deposits, and we have reached those limits for long term.

- Another option is lending to banks, however lending to other authorities is the preferred option.

Lorna Baxter reassured members that regardless of the extraordinary circumstances, there is no change to the rules and the government are under statute to underwrite these debts. The government is clear that authorities in exceptional circumstances such as those that have lost income, are working with them to avoid issuing Section 114 notices. She stated that OCC is confident that any returns will be issued, and these are a lower risk than lending to banks due the risks associated with bailing, and this information can be included in the next report to the Committee.

**RESOLVED to note the report, and the RECOMMEND the Council to note the Council's Treasury Management Activity in 2019/20.**

### **30/20 ANNUAL GOVERNANCE STATEMENT**

(Agenda No. 8)

Glenn Watson introduced the report and noted that this is an update on actions listed as priorities for 2019/20. It has been reviewed by the Audit Working Group at their June meeting and actions taken from that have been reflected in this report as follows:

- The number of actions listed is not extensive and does not reflect the amount of work undertaken, however is there to give transparency to any new actions that are not visible.
- Increased milestones on these actions will reflect the work undertaken.

Officers responded to members queries as follows:

- The statement of opinion shows that the systems and governance framework are functioning well, that all key strands of work are included, and internal audit is effective. It also satisfies that the Audit & Governance Committee has the oversight required to operate effectively in order to undertake its delegated responsibility.
- There is no evidence of any systematic issues that would cause members to make ill-informed decisions from not receiving timely information, and scrutiny and this own Committee are effective at holding people to account.
- There are links between CGAG, CEDR and A&G, and the diagram represents the importance of key governance areas identified and monitored within these groups.
- The report demonstrates how we connect up CEDR etc in a more granular and involved format.
- Whilst CGAG is the lead body for actions identified for 2020/21, these are referred to this Committee in the first instance. Timescales can be shifted to ensure the Committee is given adequate time to review as this is not an action plan in itself, rather a description of works to be undertaken.
- Agendas for the coming year will be planned accordingly to ensure the Committee have full oversight of all actions recorded as governance issues.

**RESOLVED to approve the Annual Governance Statement 2019/20, subject to the Monitoring Officer making any necessary amendments in the light of**

**comments by the Committee, after consultation with the Leader of the Council, the Chief Executive and the Section 151 Officer.**

### **31/20 MODEL MEMBER CODE OF CONDUCT - CONSULTATION FROM THE LGA**

(Agenda No. 9)

Glenn Watson introduced the report and highlighted that this is an opportunity to take part in a national debate following a call to do so from the Committee on Standards in Public Life.

Officers responded to member's concerns as follows:

- There have been increasing issues with some councils regarding social media, and the LGA are attempting to bring some consistency to members' behaviours. It is important to consider what standard Oxfordshire County Council wishes to set reputationally.
- There have been a small number of complaints received over the past couple of years, the Code will act as a reference point for the LA if a member has fallen short of the Code.
- The current Code of Conduct is an outline of what is required, and has functioned very well in the past, however updated Codes are reflecting the increase of legal input in cases raised, and an updated Code would offer assurances of any procedural issues that may arise.

Members were agreed on a small proportionate task and finish group set up and led by Glenn Watson. Due to the timescales involved it was agreed that the group would circulate the views of members of the Committee and feedback virtually via email.

**RESOLVED to:**

- (a) Consider the Local Government Association's potential Model Code of Member Conduct;**
- (b) Determine if the Committee wishes to respond to national consultation on behalf of the Council; and if so,**
- (c) Establish a cross-party task and finish group of the Committee to reply on behalf of the Council via the Monitoring Officer; and to,**
- (d) Ask the Monitoring Officer to liaise with his colleagues in Oxfordshire's District Councils, and with the Oxfordshire Association of Local Councils, to share any comments made in response to the consultation.**

### **32/20 INTERNAL AUDIT CHARTER**

(Agenda No. 10)

Sarah Cox introduced the report which presents both the Internal Audit Charter and the Quality Assurance and Improvement Programme for 2020/21 which are subject to annual review.

Members advised they had had full sight of this report and were;

**RESOLVED to:**

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

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

**33/20 INTERNAL AUDIT UPDATE AND 20/21 PLAN**

(Agenda No. 11)

Sarah Cox introduced the report which presents an Internal Audit update, including Internal Audit Plan for 2020/21 and responded to members queries as follows:

- You will see progress with numbers implemented at the next AWG meeting, and the main update for Childrens' Controcc Payments will be in October with Direct Payments in December.
- There is reassurance that these are being picked up and monitored by AWG.

**RESOLVED to comment and noted the Internal Audit Plan for 2020/21.**

**34/20 AUDIT WORKING GROUP REPORT**

(Agenda No. 12)

Sarah Cox presented the report. There were no comments or queries received from Members.

**RESOLVED to note the report.**

**35/20 WORK PROGRAMME**

(Agenda No. 13)

The Chairman expressed concerns regarding the updated position of negotiations with the Carillion contract, and stated that he had expressed a desire to have been kept informed of these. Lorna Baxter confirmed that developments have occurred only recently, and these can be communicated to the Committee at the next meeting.

The following changes/additions were agreed:

- 16 September – Carillion update
- 11 November – Provision Cycle
- 11 November – Financial Management Code

..... in the Chair

Date of signing .....