



To: Members of the Audit & Governance Committee

***Notice of a Meeting of the Audit & Governance
Committee***

Wednesday, 22 July 2020 at 1.00 pm

Virtual Meeting via MS Teams

Please note that due to guidelines imposed on social distancing by the Government, the meeting will be held virtually.

If you wish to view proceedings please click on this [Live Stream Link](#).
However, that will not allow you to participate in the meeting.

A handwritten signature in blue ink, appearing to read 'Yvonne Rees'.

Yvonne Rees
Chief Executive

July 2020

Committee Officers: Lucy Tyrrell, Tel 07741 607824; E-mail:
lucy.tyrrell@oxfordshire.gov.uk

Membership

Chairman – Councillor Nick Carter
Deputy Chairman - Councillor Tony Ilott

Councillors

Paul Buckley
Dr Simon Clarke
Charles Mathew

D. McIlveen
Glynis Phillips
Roz Smith

Vacancy

Co-optee
Dr Geoff Jones

Notes:

- ***There will be a pre-meeting held virtually on Thursday 16 July 2020 at 9.30 a.m. for the Chairman, Deputy Chairman and Opposition Group Spokesman.***
- ***Date of next meeting: 16 September 2020***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *"You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself"* or *"You must not place yourself in situations where your honesty and integrity may be questioned....."*

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *"any employment, office, trade, profession or vocation carried on for profit or gain"*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines.

<http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declaration of Interests - see guidance note

3. Minutes (Pages 1 - 8)

To approve the minutes of the meeting held on 27 May 2020 and to receive information arising from them.

4. Petitions and Public Address

This Cabinet meeting will be held virtually in order to conform with current guidelines regarding social distancing. Normally requests to speak at this public meeting are required by 9.00 a.m. on the day preceding the published date of the meeting. However, during the current situation and to facilitate these new arrangements we are asking that requests to speak are submitted by no later than 9.00 a.m. four working days before the meeting i.e. 9.00 a.m. on 16 July 2020. Requests to speak should be sent to lucy.tyrrell@oxfordshire.gov.uk together with a written statement of your presentation to ensure that if the technology fails then your views can still be taken into account. A written copy of your statement can be provided no later than 9.00 a.m. 2 working days before the meeting.

Where a meeting is held virtually and the addressee is unable to participate virtually their written submission will be accepted.

Written submissions should be no longer than 1 A4 sheet.

5. Statement of Accounts 2019/20

1.10 p.m.

Report by the Director of Finance to follow.

6. Ernst & Young - Final Accounts Audit Progress (Pages 9 - 102)

1.40 p.m.

Representatives from Ernst & Young will attend to present the following:

- Oxfordshire County Council Draft Audit Results Report - Year ended 31 March 2020
- Oxfordshire Pension Fund 2019/20 Draft Audit Results Report

7. Treasury Management Outturn 2019/20 (Pages 103 - 120)

2.00 p.m.

Report by Director of Finance.

The report sets out the Treasury Management activity undertaken in the financial year 2019/20 in compliance with the CIPFA Code of Practice. The report includes Debt and Investment activity, Prudential Indicator Outturn, Investment Strategy, and interest receivable and payable for the financial year.

The Committee is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2019/20.

15 MINUTE BREAK SCHEDULED.

8. Annual Governance Statement (Pages 121 - 140)

2.45 p.m.

Report by Monitoring Officer.

The Audit & Governance Committee has the responsibility of approving the Council's Annual Governance Statement (AGS) each year.

Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year and setting out any planned changes in the coming period.

This year, the coronavirus pandemic has affected both the timing and the content of the AGS. The timetable to produce the AGS was extended nationally. The Chartered Institute of Public Finance and Accounting has also advised that Statements should make specific reference to implications of the coronavirus pandemic for our governance.

Consequently, the AGS before you today sets out those implications and how the Council has addressed them. The Committee is asked to approve the AGS.

The Audit & Governance Committee is RECOMMENDED to approve the Annual Governance Statement 2019/20, 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.

9. Model Member Code of Conduct - Consultation from the LGA (Pages 141 - 168)

3.15 p.m.

Report by the Monitoring Officer

The Local Government Association is consulting nationally on a Model Code of Member Conduct. This was drafted in response to a call to do so from the Committee on Standards in Public Life.

The Audit & Committee's role includes ethical governance for the Council including member conduct. The Committee is therefore invited to consider responding to the consultation on behalf of the Council.

This report outlines the extent of the consultation and the Council's own recent comments on member ethical governance. It also suggests how the Committee might wish to formulate comments ahead of the consultation deadline of 14 August 2020.

The Committee is RECOMMENDED to:

- (a) Consider the Local Government Association's potential Model Code of Member Conduct;***
- (b) Determine if the Committee wishes to respond to the 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.***

10. Internal Audit Charter (Pages 169 - 184)

3.45 p.m.

Report by Director of Finance.

This report presents the Internal Audit Charter and Internal Audit Quality Assurance Programme for 2020/21. These are subject to annual review.

The committee is RECOMMENDED to:

- a) Approve the Internal Audit Charter.***
- b) Note the Quality Assurance and Improvement Programme.***

11. Internal Audit Update and 20/21 Plan (Pages 185 - 208)

4.15 p.m.

Report by Director of Finance.

This report presents an Internal Audit update, including Internal Audit Plan for 2020/21.

The committee is RECOMMENDED to comment and note the Internal Audit Plan for 2020/21.

12. Audit Working Group Report (Pages 209 - 212)

4.45 p.m.

Report by Director of Finance.

This report presents the matters considered by the Audit Working Group Meeting of 24 June 2020.

The Committee is RECOMMENDED to note the report.

13. Work Programme (Pages 213 - 214)

4.55 p.m.

To review the Committee's work programme.

Close of meeting

An explanation of abbreviations and acronyms is available on request from the Chief Internal Auditor.

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 27 May 2020 commencing at 1.00 pm and finishing at 3.40 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
Dr Geoff Jones

Non-voting Members: Dr Geoff Jones

By Invitation: Adrian Balmer and Janet Dawson, Ernst & Young

Officers:

Whole of meeting Sarah Cox, Chief Internal Auditor; Nick Graham, Director of Law & Governance, Glen Watson, Principal Governance Officer, Lucy Tyrrell, Committee Officer

Part of meeting

Agenda Item	Officer Attending
6 & 7	Lorna Baxter, Director for Finance, Hannah Doney, Assistant Director for Finance
8 & 9	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.

9/20 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS (Agenda No. 1)

There were no apologies received.

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

10/20 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

11/20 MINUTES

(Agenda No. 3)

The minutes of 15 January 2020 were agreed subject to the amendment to item 5/20 External Auditors, whereby Cllr Carter wished to clarify his point that he was not happy with verbal reports to, 'I am happy to receive verbal reports, however would appreciate additional narrative to aid Members with their discussions prior to the meeting'.

Item 5/20, Councillor Phillips noted that her request for the External Auditors to review any contracts with the NHS stands as a request, to be followed up by the Internal Auditor.

Item 6/20, Chairman noted that deferred items should still be monitored. Councillor Smith agreed, and that members would benefit from an updated briefing, particularly the Oxford City Council Agency Agreement. Sarah Cox responded that actions have been updated and all implemented bar the best value review. An update has been scheduled for the Audit Working Group meeting for September if the Committee is satisfied with these timescales.

Item 6/20, Councillor Smith also noted the last point on locality meetings, and advised that due to this Councillors are not being kept adequately informed. Sarah Cox will feed these outstanding issues back to Paul Fermer, Assistant Director of Community Operations, including the issue with potholes. Councillor Smith also requested that members be informed if this arrangement includes trees on the highways, as this is not clear.

Item 4/20, Councillor Matthew requested that Memorandum of Understanding with The Vale of the White Horse District Council be circulated as agreed at the previous meeting.

12/20 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

None.

13/20 STEVE JORDEN, CORPORATE DIRECTOR, COMMERCIAL DEVELOPMENT, ASSETS AND INVESTMENT - INTRODUCTION TO COMMITTEE AND OVERVIEW OF ROLE

(Agenda No. 5)

Steve Jorden, Corporate Director for Commercial Development Assets and Investment introduced himself to the Committee and gave an overview of his role, including the breadth of his remit and past experiences relevant to the new position.

Steve Jorden responded to Dr Geoff Jones' query regarding the role of the Chief Finance Officer having a status at least equivalent to other members of the Leadership Team, and confirmed that the Section 151 Officer whilst reports to him, has a direct line to the Chief Executive as and when needed. He also confirmed that the S151 officer is a member of the Corporate Leadership Team, fully supported by the Council. The Council is mindful of this guidance and has taken this into consideration

These arrangements are detailed in the Annual Governance Statement due to be presented at the next Audit Working Group meeting, of which he was invited to attend.

Councillor Smith asked how the joint role will be split between Cherwell District Council and Oxfordshire County Council? Steve Jorden responded that he aimed to continue supporting Councillors providing updates through Cabinet and Informal Cabinet meetings, and through the updates provided by the Chief Executive. His intention was that time would be split based on need, focused on outcomes for meeting the needs of Oxfordshire residents.

Steve Jorden also responded to questions regarding strategic review and analysis and wished to reassure Councillors that this is an important aspect of the role. Sarah Cox added that Strategic Risk Registers are reviewed at every Audit Working Group meeting, and the Committee are able to request specific areas of enquiry, of which members have full sight. The Chairman wished to remind members that although there is a core group of members who attend the AWG, all members are welcome to join.

Steve Jorden responded to the query from Councillor Phillips regarding his capacity to attend every meeting in the role of Monitoring Officer and clarified that he would endeavour to attend as many meetings as possible but where this is not possible his deputy would attend in his absence. Also, whilst not legally trained, he will be supported by an experienced team including Sukdave Ghuman, the new Head of Legal who will start at the beginning of June and Principal Governance Officer. He wished to reassure members that he has the relevant experience for this role and is supported by an experienced legal team.

Councillor Matthew welcomed that part of his remit was to review the 'sweating of assets', as he has seen little evidence of this taking place previously. Steve Jorden responded that he could not comment on what had gone before, however his role is to work with the relevant teams and realise that potential.

The Chairman stated that these may encompass assets within Councillor's divisions, and they would welcome updates regarding these. Councillor Matthews agreed, and added that councillors would have information that would be useful for those individual areas.

The Chairman thanked Steve Jorden for attending the meeting.

14/20 STATEMENT OF ACCOUNTS 2019/20 UPDATE

(Agenda No. 6)

Lorna Baxter introduced the report to the Committee. The Chairman asked if Oxfordshire County Council will be taking advantage of the extension given by the government to audit the final accounts? Lorna Baxter responded that it is expected that the work will be completed within the original timeframes set.

Hannah Doney highlighted the three sections of the report, including the detailed extension of timeframes and the adjustments to the narrative statement to reflect COVID.

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

- Signing off the audits could be carried out at the next A&G meeting if they are complete, dependent of whether we utilise the extended deadlines available.
- There are no exceptions to the professional standards stated, there are always areas of judgement, however this is an area for focus for the auditors.
- Valuations were completed on time and no issues have been anticipated for the following year as these are not dependent on site visits.
- The only PFI contract is held with JS Care Homes, and a service concession arrangement note is included in the accounts.
- Blank figures included on Page 25 of the report are balance sheet figures and not appropriate to the Committee at this stage. These will be available when the accounts are finalised.
- Figures on the top of Page 24 relate to Oxlet spend and will be confirmed prior to publishing.

Lorna Baxter reminded the Committee that the document presented so far is the setting out of the schedule of work, more detailed information will be available when the accounts have been fully prepared.

RESOLVED: to

- a) **note the revised timetable for the publication of the 2019/20 Unaudited Statement of Accounts and period of public inspection**
- b) **ratify the accounting policies as approved by the Chief Finance Officer and included as an appendix to this report**
- c) **note the content and timetable for the 2019/20 narrative report.**

15/20 EXTERNAL AUDITORS

(Agenda No. 7)

Janet Dawson presented the three reports to the Committee and noted the following:

- Show the main areas of risk for the Council and how the work has been tailored to look at that risk. Focus is on capital expenditure, broadly journal entries towards year end to identify unusual transactions. There is some uncertainty on how the dedicated schools grant should be accounted for, which is a focus point from CIPFA and DoE.

- Regards materiality, we would report back on any differences over £900,000 to the Committee, or anything around the remuneration report.
- There has been no risk identified with value for money.
- Commentary has been included on the audit fee and process set in line with FRC requirements and how our work has been tailored to reflect these.

Janet Dawson responded to member's questions as follows:

- In terms of the fee, additional work may arise due to the impact of COVID, and also the uncertainty around valuations, and this is indicative moving forward.
- We are awaiting resolution from the point of Carillion contract ceasing, and the potential liability to be reflected in the accounts.
- The £47,000 for objections reflects the number of objections raised.
- Errors communicated to the Committee will be judged by E&Y, however it is unlikely that significant errors will be found.

The Chairman asked if there are still outstanding negotiations with Carillion, and can we receive this information at the next meeting? Lorna Baxter confirmed that we are in a position to settle very soon., which will be reflected in the accounts, however as this is a contractual settlement, would not be subject to a public meeting.

Janet Dawson advised the Committee that they are working to the original timetable, however it will not be as quick as when on site. The Chairman requested Lorna Baxter update the Committee of any changes.

16/20 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR 2019/20

(Agenda No. 8)

Sarah Cox introduced the report. There were no conflicts of interest throughout the year and no limitations on the work. For the first time in several years, work has not been completed to the overall plan due to the pandemic.

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

- There are five audits due to be completed, two of which are combined into one report being drafted and agreed, and will come back to the July meeting.
- Controcc Children's audit will be taken to the June AWG meeting with the Director and Deputy Director attending.
- H&S and Business Continuity still requires some actions to be implemented, however it should be noted that considerable progress has been made and that the profile of these has been increased.
- Section 106 and Security Bonds includes follow up work this year, the next updates to come to the AWG meeting in September and this is also being followed up at the Leadership Team June meeting.
- The Oxford City Agency Agreement will be updated at the September AWG meeting, however have been notified verbally that all actions have been completed except the Best Value Review.
- Issues with the wording of Oxfordshire County Council's standard admissions policy of which are adopted by individual schools are not always clear and compliant, especially to those parents/carers who have not accessed the school system before, and this will be picked up under policies and guidance and referred back to Interim Director of Childrens Services.

RESOLVED: to consider and endorse this annual report.

17/20 Q1 INTERNAL AUDIT STRATEGY & ANNUAL PLAN 2020/21

(Agenda No. 9)

Sarah Cox introduced the report. The report presents the Internal Audit Strategy for 2020/21, and Internal Audit Plan for quarter 1. Sarah Cox highlighted that this is a fluid plan reflecting the 'agile' state of auditing due to the pandemic, and will bring an updated plan to the July meeting.

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

- Recruitment remains an issue for the Team due to COVID, however noted that these are nationwide issues affecting the auditing sector.
- Counter-fraud has been picked up by the Assistant Director of Finance to enable the Chief Internal Auditor to concentrate on joint working with Cherwell District Council, and will report to the July meeting.
- A Trading Standards Officer continues to work 3 days per week covering the Counter Fraud vacancy and this has worked successfully.

RESOLVED: to comment and note the Internal Audit Strategy for 2020/21 and Internal Audit Plan for quarter 1.

18/20 PROGRESS UPDATE ON ANNUAL GOVERNANCE STATEMENT ACTIONS

(Agenda No. 10)

Nick Graham introduced the report and noted that this publication is an update on the actions listed as priorities for 2019/20, and will be presented to the Audit Working Group in their June meeting, to be agreed at the next Audit & Governance Committee meeting in July.

Officers responded to members queries as follows:

- Facilities Management are not in a position to be audited as yet, and will be carried forward.
- An updated explanation on the role of the CFO in local government and subsequent reporting to the CEO, will be reflected in the updated governance statement.

RESOLVED: to consider and note the outcomes so far on the governance actions agreed in last year's Annual Governance Statement.

19/20 SCALE OF ELECTION FEES AND EXPENDITURE

(Agenda No. 11)

Nick Graham highlighted to members that there will be District Council, Parish and Police and Crime Commissioner elections in the next year.

Glenn Watson introduced the report and the following were his responses to Members' questions:

- There are no scheduled elections until May 2021, and no by-elections – both of which would not be held due to COVID.
- A review was undertaken by the City and District Councils of Oxfordshire to identify any staffing issues which might impinge on the scale of fees.
- The only increase is for the Polling Station Inspector which reflects the crucial nature of this role and level of responsibility.

RESOLVED: to approve the Scale of Expenditure for the financial year 2020/21, as shown in Appendix A to this report, for the election of County Councillors and any other local referendums.

20/20 AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT TO COUNCIL 2019

(Agenda No. 12)

The Chairman introduced the report and thanked the Chief Internal Auditor. The Chairman requested that the document be changed to reflect our thanks to the Trading Standards for their support.

RESOLVED: to consider the Annual Report and suggest any additions or amendments.

21/20 THE FUTURE OF THE JOINT AUDIT & GOVERNANCE AND PERFORMANCE SCRUTINY (TRANSFORMATION) SUB-COMMITTEE

(Agenda No. 13)

The report by the Corporate Director for Customer and Organisational Development was received by the Committee and the following issues raised:

- The Committee will receive assurances to the continuing transformation items being part of the audit plan and brought to this Committee.
- Whilst the report highlights the limited number of redundancies as a result of the financial restructure, no further information on numbers has been received. A snap shot to show the next financial year would be useful for the Committee and requested that either Claire Taylor or Lorna Baxter attend the next meeting.

RESOLVED to:

- a) agree, in conjunction with the Performance Scrutiny Committee, that the work of the Transformation Sub-Committee is complete in having overseen the start-up phase of the council's Transformation Programme and that future oversight now reverts back to its two parent committees; and
- b) consider on an ongoing basis which specific change activities it wishes to include on its forward plan.

22/20 WORK PROGRAMME

(Agenda No. 14)

It was agreed that due to the number of items due to be discussed at the next meeting, the start time would be moved to 1.00 p.m.

..... in the Chair

Date of signing

Oxfordshire County Council Draft Audit Results report

Year ended 31 March 2020

13 July 2020

Page 9



Building a better
working world

Agenda Item 6



13 July 2020

Dear Audit & Governance Committee Members

We are pleased to attach our draft audit results report for the forthcoming meeting of the Audit & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Oxfordshire County Council for 2019/20. We will issue our final report at the Audit & Governance Committee meeting scheduled for September 2020.

We are well progressed in our audit of Oxfordshire County Council for the year ended 2019/20.

As set out on page 5 to 7, a number of issues have arisen as a result of covid-19 which may impact on our audit opinion. We confirm that we expect to issue our audit opinion on the financial statements before the accounts publication date of 30 November 2020. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit & Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 22 July 2020.

Yours faithfully

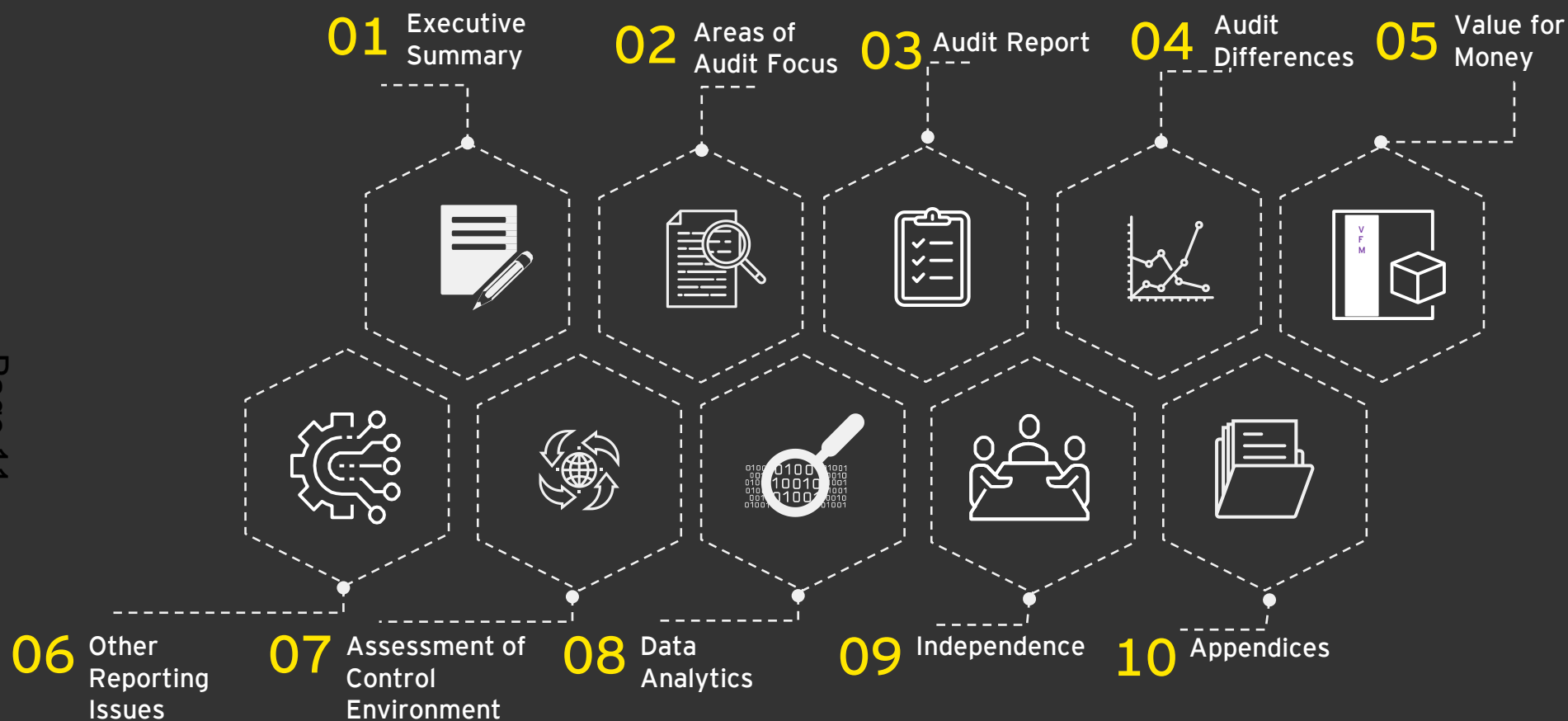
Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the 27 May 2020 Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

- ▶ **Valuation of Property Plant and Equipment** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
- ▶ **Disclosures on Going Concern** - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.
- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Local Authority.
- ▶ **Adoption of IFRS16** - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

Changes to the scope of our audit as a result of Covid-19

- ▶ We revised our risk assessment on key estimates (PPE and Pensions) and are using internal specialists to support our work in these areas.

Changes in materiality. In our Audit & Governance Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £19.2 m, with performance materiality, at 75% of overall materiality, of £14.4m, and a threshold for reporting misstatements of £0.96 m.

We have considered whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

The basis of our assessment has remained consistent with prior years at 1.8% of gross operating expenditure.

We updated our materiality assessment upon receipt of the draft financial statements and this resulted in a revised materiality of £18.4 m, with performance materiality, at 75% of overall materiality, of £13.8 m, and a threshold for reporting misstatements of £0.92 m.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.



Executive Summary

Scope update

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We have set out the impact on our audit fees at Section 9.

Page 14

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Oxfordshire County Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

In response to the Covid-19 pandemic we revised our risk assessment and included an additional inherent risk around Going Concern disclosures and consideration of Post Balance Sheet Events. This was presented in the form of an Addendum to the Audit Plan and was presented at the 27 May 2020 Audit & Governance Committee meeting.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit & Governance Committee.



Executive Summary

Status of the audit

We are making good progress our audit of Oxfordshire County Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit planning report. We note the outstanding matters set out in appendix D. Until all remaining items can be completed it is possible that further amendments could be required. Below we also note some significant items which may impact on the status of our final audit report.

Impact of Covid-19:

Collection Fund: Due to the impact of the Covid-19 pandemic central government have allowed district councils longer to submit their Collection Fund figures to the Authority. The deadline for receipt of this data is 31 July. As a result the Collection Fund figures in the draft unaudited accounts will need to be updated and will in turn need to be audited.

Our audit opinion will emphasise the following :

Property, Plant and Equipment (PPE) valuation - the external valuer has flagged a material uncertainty in their valuation report to the Council. We have engaged with our internal valuation specialists to support the audit team understand the extent of the uncertainty. Depending on the outcome of that review our audit report may include an Emphasis of Matter or a Material Uncertainty in respect of PPE valuation.

Going concern - given the significance of the Covid-19 pandemic on the financial operations and financial management of the Authority we have been required to complete additional procedures in respect of Going Concern. We have requested additional information from the Director of Finance and raised a number of questions to understand the implications of Covid-19 on longer terms financial plans. Depending on our review of that information and responses there may be an impact on our audit report for 2019/20. This could take the form of either an Emphasis of Matter disclosure in our audit report or a Material Uncertainty disclosure. This will be subject to internal consultation with our internal professional practice directorate.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

As at the date of this report we have not identified any unadjusted audit differences greater than the reporting threshold on page 5.

We have identified 1 adjustment, including a prior period adjustment, in respect of the Private Finance Initiative (PFI) disclosure note. Further details can be found in Section 4.

As at the audit is still ongoing it is still possible that further amendments may be required.



Executive Summary

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we did not identify any value for money significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Other reporting issues

We have not yet reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We will provide an update on this work at the Audit & Governance Committee meeting on 22 July.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This will be completed at the end of the audit and we will report our findings in our final Audit Results Report.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence.



02 Areas of Audit Focus





Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

Under ISA240 there is also a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For Oxfordshire County Council, we consider this risk to be present in:

- Additions to property, plant and equipment and Revenue Expenditure Financed from Capital Under Statute (REFCUS).

We have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Authority's capital programme.

What judgements are we focused on?

How management decides on appropriate capitalisation of revenue expenditure, including Consideration of REFCUS.

What did we do?

We sample tested additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.

What are our conclusions?

We have not identified any issues with management's accounting policies or practices in relation to opting to finance expenditure from capital sources.

Capital expenditure in relation to Investment is not material, therefore we focused our testing on property, plant and equipment capital additions and also Revenue Expenditure Financed from Capital Under Statute (REFCUS) capital additions.

Our testing of capital additions to date has not identified any instances where expenditure had been inappropriately capitalised. We will provide an update at the Audit & Governance Committee meeting when we anticipate that this work will be completed.





Areas of Audit Focus

Significant risk

Risk of error in the valuation of land and buildings (updated post Covid-19)

What is the risk?

The fair value of Property, Plant and Equipment and Investment Properties represent significant balances in the Authority's accounts, totalling approximately £1.2 billion and are subject to valuation changes, impairment reviews and depreciation charges.

In calculating amounts recorded in the Authority's balance sheet, management are required to make material judgements and apply estimation techniques.

What judgements are we focused on?

We focused on aspects of the land and buildings valuation which could have a material impact on the financial statements, primarily:

- harder to value assets – such as schools which are valued on a depreciated replacement cost basis;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

We confirmed that the Authority's valuers are members of RICS and registered valuers. We reviewed the instructions provided to the valuer against the requirements of the Code and IFRS and found no issues.

For a sample of assets we assessed whether the valuation basis was appropriate and whether the assumptions used were supportable and reperformed the valuers' calculations.

We challenged the information provided by the valuer as the management's expert.

We have considered the impact of assets not revalued in year, and whether this could lead to a material misstatement of the closing asset valuation.

What are our conclusions?

We updated our risk assessment in light of the impact of Covid-19 and the fact that the external valuer had highlighted a 'material uncertainty' in their valuation report. As a result we instructed our internal valuers to support us with our work in this area.

We have asked our internal valuers to support us with a review of a range of assets across the portfolio including primary schools, secondary schools, council offices and investment properties. This work is still ongoing.

We have considered the impact of assets not revalued in year and the fact that assets valuations occur effective as at 1 April 2019. We have challenged officers on the material correctness of valuations at that date and officers are considering possible indexation and the impact that this could have across the portfolio. This work is still ongoing.

We identified an issue with the incorrect exclusion of professional fees in the valuations supplied by the external valuer. Revised valuations have been provided and these have been reflected in the financial statements. This has resulted in additional work.

Our work on investment properties has not identified any issues to date.



Areas of Audit Focus

Significant risk

Accounting for the Dedicated Schools Grant (DSG)

What is the risk?

The Council is forecasting a year end deficit on DSG of £13-14m. The CIPFA Code has previously not permitted the use of negative reserves.

At the date of our planning report in March 2020 there was uncertainty as to whether the Department for Education would provide funding to councils impacted by this issue. The Department, the NAO and CIPFA have been discussing options for the accounting treatment of the deficit for local authorities and we were expecting them to issue further guidance.

There is a risk that the Council's accounting treatment of the DSG balance will not be in line with the Code. This would specifically impact on the relevant Balance Sheet and Income and Expenditure assertions specifically Completeness, Existence/Occurrence and Measurement/Valuation.

What judgements are we focused on?

We will review the latest guidance available from the Department for Education and CIPFA on the accounting for DSG and consider the Council's treatment of DSG in the draft 2019/20 financial statements.

What did we do?

- ▶ We continued to monitor the DSG balances throughout the year including forecast outturn;
- ▶ We regularly discussed the position with senior management and to understand the accounting treatment being proposed in 2019/20 in light of the guidance available to the Council at the time of production of the financial statements; and
- ▶ Considered the latest guidance available from the NAO, CIPFA and the Department for Education to support the closedown of the financial statements.

What are our conclusions?

We note the outturn position on DSG High Needs of a deficit of £11.222 m as per the draft unaudited financial statements.

We are considering the disclosure in light of the revised guidance. As our audit work in this area is not complete we will provide an update at the Audit & Governance Committee.



Areas of Audit Focus

Other risk

Risk of error in the valuation of the net pension liability (updated post Covid-19)

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire Pension Fund.

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2020 this totalled over £820 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Pension Fund. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on aspects of the pension liability which could have a material impact on the financial statements, primarily:

- ▶ significant changes in assumptions made by the actuary; and
- ▶ the assessments of the actuary undertaken by PWC, as consulting actuary commissioned by the National Audit Office, and the EY actuarial team.

What did we do?

- ▶ Liaised with the auditors of Oxfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Oxfordshire County Council;
- ▶ Assessed the work of the Pension Fund actuary Hyman Robertson including the assumptions they have used by relying on the work of PWC and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

We are satisfied that the Authority has correctly reflected the IAS 19 entries provided by the actuaries in the financial statements. We are also satisfied that the actuaries are appropriately qualified.

This year, as in the previous year, there has been a national issue which resulted in a change to the Authority's pension net liability. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling". Our internal EY specialists are supporting our work in this area. This work is still ongoing.

We have also asked our internal EY Pensions specialists to support our review of the assumptions applied by Hyman Robertson. This work is still ongoing and we will provide an update at the Audit & Governance Committee.



Areas of Audit Focus



Other matters

Misstatements due to fraud or error

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

This is a risk that we recognise on all engagements. Our overall response to this for Oxfordshire County Council included:

- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes for safeguarding against fraud; and
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Assessing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions.

In addition to our overall response, we considered where these risk may manifest themselves and identified separate fraud risks as discussed above.

Our work on management override is still ongoing and we will provide an update at the Audit & Governance Committee meeting. From the work completed to date we have nothing that we need to specifically report in respect of management override to the Audit & Governance Committee.

02 - Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What did we do?

Carillion - quantification of amounts owed to /from Carillion

The County Council had a 10 year contract with Carillion running from 2012 to 2022. A significant portion of this was terminated with the mutual consent of both parties in December 2017 before Carillion's collapse in January 2018. The County Council have planned their response to this in four stages:

Stage 1 - transition of services back to the Council from Carillion

Stage 2 - stabilisation

Stage 3 - assessment of Carillion legacy issues

Stage 4 - implementation of work programme for rectification of defects

The Council are currently at stage 3.

There is ongoing discussion with Carillion's liquidators - PWC - relating to monies PWC claim are owed by the Council. The Council are simultaneously quantifying the costs of rectifying known defects and estimating the potential for latent defects. Given the level of estimation involved we have identified that there is a risk that the amounts owed by the Council may be understated and that the amount due to the Council may be overstated.

We:

- Reviewed the methodology for identifying and quantifying both the known and latent defects;
- Assessed the basis of the assessment of the amounts owed to Carillion; and
- Ensure the subsequent accounting treatment is appropriate given the information available at the time
- Requested the latest assessment on Carillion given the ongoing legal settlement.

We noted no issues from our consideration of the methodology being applied or in respect of the amounts owed to Carillion. We found no issues with the accounting treatment as per the draft financial statements as prepared for audit.

We have requested the very latest legal position and settlement and will provide an update on our work over the values reflected in the statement of accounts at the Audit & Governance Committee meeting.



Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

IFRS16 - leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to be published, but in July 2019 CIPFA/LASAAC issued ‘IFRS 16 leases and early guide for practitioners’.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:

- ▶ the identification of leases
- ▶ the recognition of right-of-use assets and liabilities and their subsequent measurement
- ▶ treatment of gains and losses
- ▶ derecognition and presentation and disclosure in the financial statements,
- ▶ the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:

- ▶ the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- ▶ the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

What will we do?

The adoption of IFRS 16 by the NAO Code of Audit Practice as the basis of preparation of financial statements has been deferred until 2021/22. The Council will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified.

We therefore no longer consider this as an area of focus in 2019/20. We will continue to liaise with management in the coming year on their preparation for the future implementation of IFRS 16.



03 Audit Report



Audit Report

Draft audit report

Until we have concluded our work on asset valuations and the impact of Covid-19 on the Going Concern assessment we cannot provide a draft audit report.

Our opinion on the financial statements

Page 27



04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £13.8 m which have been corrected by management that were identified during the course of our audit:

Note 28 - Private Finance Initiative (PFI)

We identified a formula error in the compilation of the PFI Note which has the following impact on the 2019/20 and 2018/19 figures. The service cost segregated between periods was incorrectly presented as the total liability instead of presenting as a balancing figure by subtracting principal repayments, interest costs and lifecycle replacement costs. This has resulted in the following adjustments.

2019/20:

- Within 1 Year: £16,572 k corrected to £17,061 k;
- Within 2-5 Years: £70,914 k corrected to £72,993 k;
- Within 6-10 Years: £50,224 k corrected to £27,350 k

2018/19:

- Within 1 Year: £20,307 k corrected to £16,607 k;
- Within 2-5 Years: £84,318 k corrected to £69,151 k;
- Within 6-10 Years: £66,617 k corrected to £42,659 k

A number of notes in the draft unaudited accounts have been amended as a result of the EY Technical Review of the financial statements. These include:

Narrative Report;

Accounting Policies;

Note 10 - Audit Fees;

Note 15 - Financing and Investment Income and Expenditure;

Note 16 - Financial Instruments;

Note 21 - Related Party Transactions;

Note 22 - PPE;

Note 28 - PFI

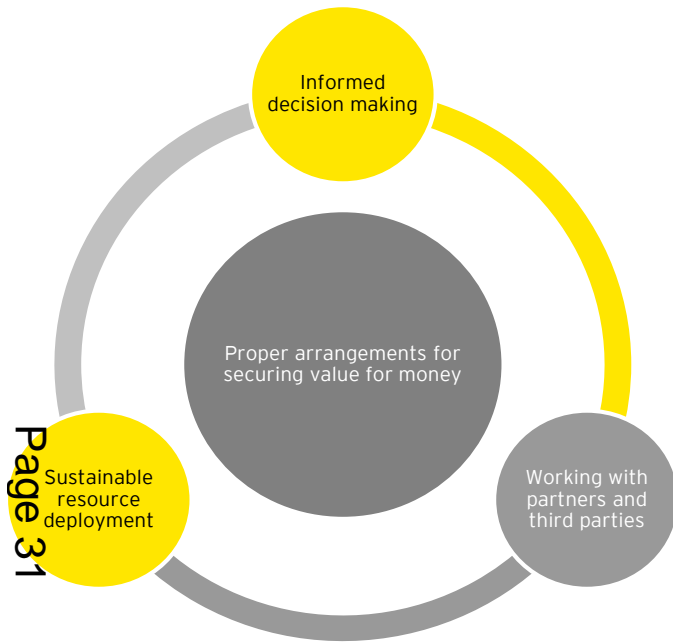
There are currently no uncorrected misstatements greater than our reporting thresholds as per page 5.



05 Value for Money



Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We did not identify any significant risks around these criteria, including consideration of Covid-19.
We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have not yet reviewed the Annual Governance Statement. We need to confirm it is consistent with other information from our audit of the financial statements.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit & Governance Committee.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Page 34

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and

We have nothing we need to bring to the attention of the Audit and Governance Committee in respect of these Other Matters.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention/details of issues noted.



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – revenue recognition and management override

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

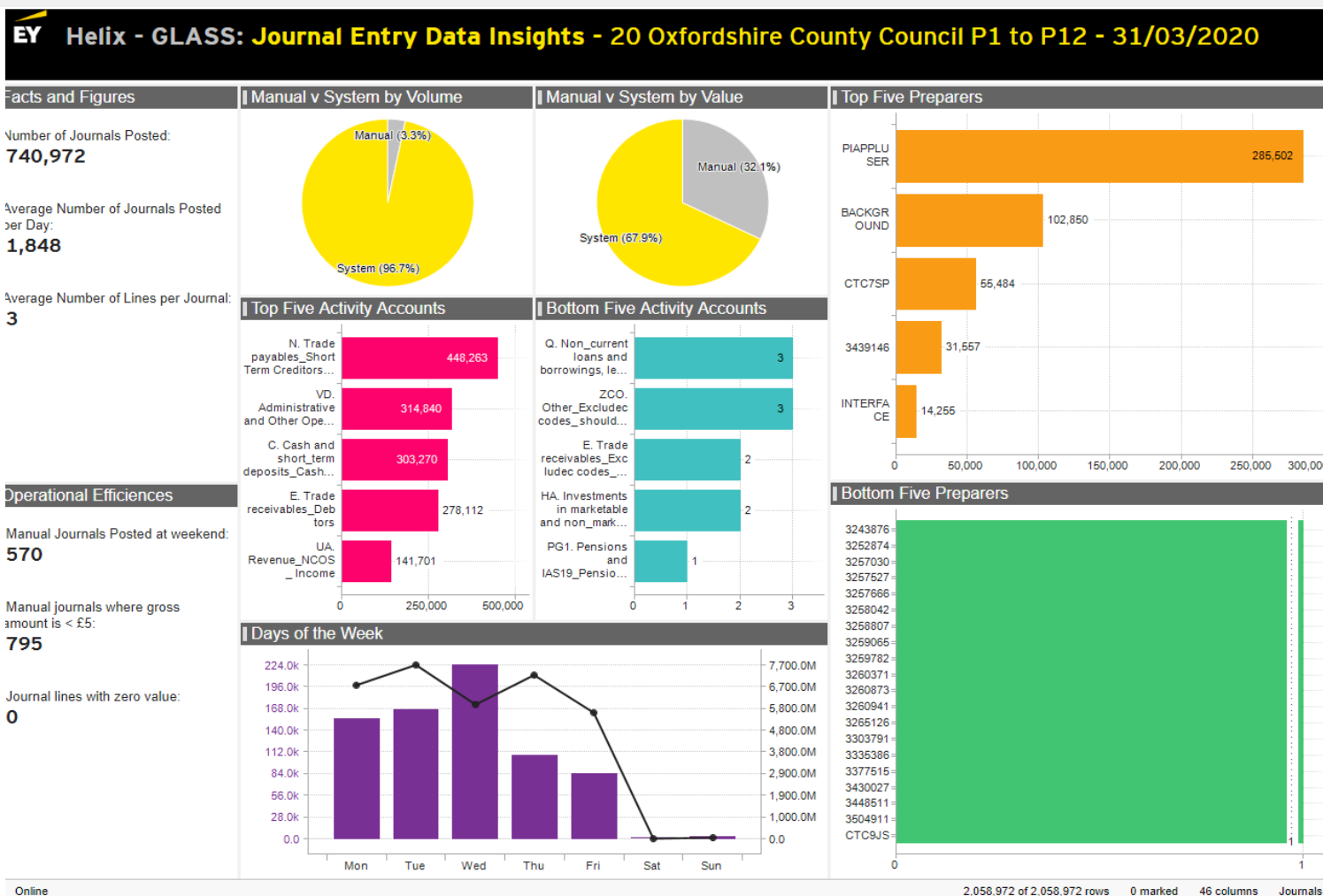


Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2019/20. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.





Journal Entry Testing

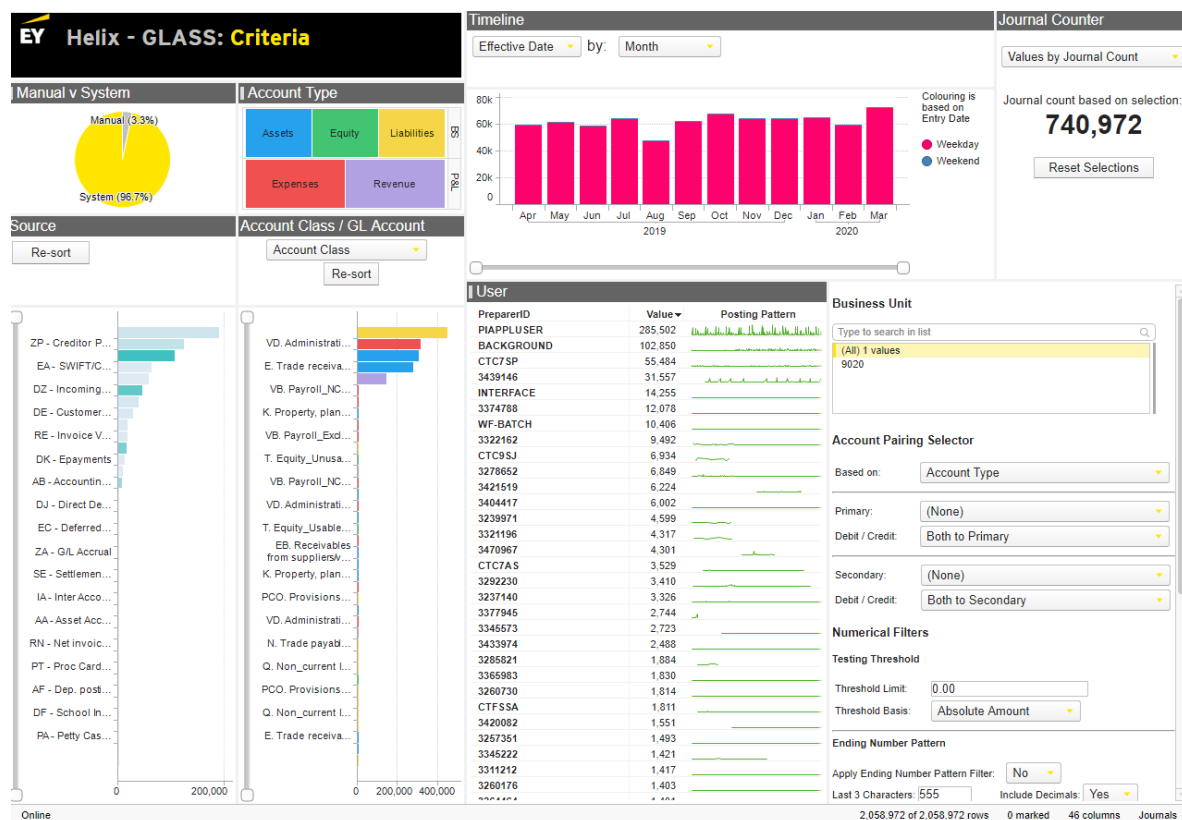
What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – 31 March 2020

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.



What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



09

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute. Further detail of all fees has been provided to the Audit and Governance Committee with measurement against pre-approved limits.

We confirm that none of the services provided has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 05 March 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit & Governance Committee on 22 July 2020.

We confirm we plan to undertake non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd. We will apply the necessary safeguards in our completion of this work.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee - Code work	Note***	84,668***	97,168*
Other Objection - 2015/16	-	-	27,225
Other Objection - 2016/17	-	-	19,998
Total Audit Fees	Note***	84,668***	144,391
Non-audit work (Teacher's Pensions Certification)	TBC**	13,000	12,500
Total non-audit services	TBC**	13,000	12,500
Total fees	Note***	Note***	156,891

All fees exclude VAT

(*) The 18/19 Code work includes an additional fee of £12,500, which relates to additional work reviewing McCloud/GMP where we used EY Pensions specialists; IFRS 9 (Financial Instruments) material adjustment which required additional technical support, & extended income and expenditure testing. We have discussed the variation with officers, but are awaiting approval from PSAA

(**) The 18/19 work has been completed. For 19/20 the planned fee represents the base fee, i.e. not including any extended testing.

(***) The scale fee for 2019/20 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work on pages 7-15. In our planning report, we included an estimate of the range of the fee of between £100,000 to £120,000 to reflect those underlying costs. We have also incurred additional costs in addressing the increased risks associated with C 19, including asset valuations and the impact on the going concern assessment. We will discuss and agree a fee with management and PSAA, and communicate progress to the Audit & Governance Committee.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit & Governance Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit & Governance Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 1 April 2020.

To date we have not identified any non-audit services being provided to Oxfordshire County Council which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



10 Appendices



Appendix A





Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix A

Balance sheet category 	Audit Approach in current year 	Audit Approach in prior year 	Explanation for change 
Trade receivables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Trade payables	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Investments	Substantively tested all assertions	Substantively tested all assertions	No change
Tangible fixed assets	Substantively tested all assertions	Substantively tested all assertions	No change
Cash	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	We tested controls over all relevant assertions with limited substantive testing performed in accordance with auditing standards	No change
Borrowing	Substantively tested all assertions	Substantively tested all assertions	No change
Capital grants receipts in advance	Substantively tested all assertions	Substantively tested all assertions	No change
Pensions liability	Substantively tested all assertions	Substantively tested all assertions	No change

Appendix B

Summary of communications





Date 	Nature 	Summary 
25 September 2019	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss the 2018/19 audit and to confirm the planning arrangements for delivery of the 2019/20 audit.
15 January 2020	Meeting	The partner in charge of the engagement and other senior members of the audit team, met with the Audit & Governance Committee to understand the latest issues impacting Oxfordshire County Council.
20 February 2020	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss the 2019/20 audit and to understand the latest business operating environment.
20 May 2020	Report	The audit planning report and audit planning addendum, including confirmation of independence, was issued to the Audit & Governance Committee.
17 May 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit & Governance Committee and senior members of the management team to discuss the audit planning report and the audit plan addendum.
13 July 2020	Meeting	Preliminary Audit update meeting with the management team to discuss the preliminary findings of the draft audit results report.
15 July 2020	Report	The draft audit results report, including confirmation of independence, was issued to the Audit & Governance Committee.
22 July 2020	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit & Governance Committee and senior members of the management team to discuss the draft audit results report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the Audit & Governance Committee

There are certain communications that we must provide to the Audit & Governance Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report presented at the 27 May 2020 Audit & Governance Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report presented at the 27 May 2020 Audit & Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report presented at the 22 July Audit & Governance Committee



Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the Audit & Governance Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit & Governance Committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit planning report presented at the 27 May 2020 Audit & Governance Committee; and Audit results report presented at the 22 July Audit & Governance Committee</p>



Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	We note the Covid-19 pandemic and we reference that in further detail within the Executive Summary and also in our audit report at section 3
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report presented at the 22 July Audit & Governance Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit & Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report presented at the 22 July Audit & Governance Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> Management; Employees who have significant roles in internal control; or Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit & Governance Committee responsibility. 	Audit results report presented at the 22 July Audit & Governance Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report presented at the 22 July Audit & Governance Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Audit planning report presented at the 27 May 2020 Audit & Governance Committee; and Audit results report presented at the 22 July Audit & Governance Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy Details of any contingent fee arrangements for non-audit services Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard The Audit & Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report presented at the 22 July Audit & Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Audit & Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance Committee may be aware of 	Audit results report presented at the 22 July Audit & Governance Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report presented at the 22 July Audit & Governance Committee






Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report presented at the 22 July Audit & Governance Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report presented at the 22 July Audit & Governance Committee
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report presented at the 22 July Audit & Governance Committee
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report presented at the 27 May 2020 Audit & Governance Committee; and Audit results report presented at the 22 July Audit & Governance Committee
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Cash and bank and investments	Work on cash and bank and investments is well progressed and we have received the majority of the external confirmations.	EY and management
EY Technical Review	We are working through the EY technical review of the financial statements with management. A number of amendments have been agreed and there a small number remaining to be resolved.	EY and management
Income and Expenditure, Debtors and Creditors	A few queries o/s on expenditure; work on income almost complete. Debtors & creditors work currently well progressed	EY and management
Journals	We have selected our journals sample and the sample is currently with management	EY and management
Pensions and IAS 19 Disclosures	Work on pensions and IAS 19 is well advanced. There are a number of technical issues in 2019/20 and as a result we have asked our internal pensions specialists to support us with our conclusions on these	EY and management
Property, Plant and Equipment (PPE)	Work on PPE is well advanced. In light of the reference to material uncertainty by the external valuer we have asked our internal specialists to support us with our work on PEE	EY and management
EY Internal Consultation re: Covid-19	In light of Covid-19 all EY audit reports are subject to internal consultation	EY
Statement of accounts	Receipt and review of the final version of the accounts	EY and management
Management representation letter	Receipt of signed management representation letter	Management and Audit & Governance Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Whole of Government Accounts	Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts	EY and management

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
FAO: Janet Dawson
EY
More London Place
London
SE1 2AF

This letter of representations is provided in connection with your audit of the council financial statements of Oxfordshire County Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council financial statements give a true and fair view of the Council financial position of Oxfordshire County Council as of 31 March 2020 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.

We understand that the purpose of your audit of our council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the council financial statements. We believe the Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because *[specify reasons for not correcting misstatement]*.



Appendix E

Management representation letter

Management Rep Letter (cont.)

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the Council financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the 27 May 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Management representation letter

Management Rep Letter (cont.)

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. No guarantees have been given to third parties.

E. Subsequent Events

1. Other than those described in Note X to the council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the council financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Going Concern

1. Accounting policy a) General Principles to the council financial statements discloses all of the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the council financial statements.

J. Reserves

1. We have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the asset valuations and net pension liability valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Asset Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.
2. We confirm that the significant assumptions used in making the asset valuation estimates appropriately reflect our intent and ability to carry out planned uses of assets valued.



Appendix E

Management representation letter

Management Rep Letter (cont.)

3. We confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,



Director of Finance

Chair of the Audit & Governance Committee

Appendix F

Regulatory update

Since the date of our last report to the Audit & Governance Committee/Board, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Oxfordshire County Council 
Code of Audit Practice 2020	<ul style="list-style-type: none"> ▶ The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21. 	<ul style="list-style-type: none"> ▶ The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. ▶ Further updates will be provided when possible.
Going Concern - ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> ▶ The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early-adopt the revised standard for all of our audits of periods ending on or after 30 June 2020. ▶ This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. 	<ul style="list-style-type: none"> ▶ Practice Note 10, which sets out how the auditing standards are applied in a public sector context, is currently being revised, including in light of the updated standard for Going Concern. As such, the impact is not clear at this stage. ▶ Further updates will be provided when possible.
Independence	<ul style="list-style-type: none"> ▶ The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to companies that are UK Public Interest Entities (PIEs). This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed. 	<ul style="list-style-type: none"> ▶ We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which will be effective from 15 March 2020. Non-audit services which are in progress as at 15 March 2020 and are permitted under the existing ethical standard will be allowed to continue under the existing engagement terms until completed. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales. ▶ To date we have not identified any non-audit services which would be prohibited under the new standard.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

Oxfordshire Pension Fund Audit results report

Year ended 31 March 2020

July 2020

Page 63



22 July 2020

Dear Committee Members

We are pleased to attach a provisional audit results report for the forthcoming meeting of the Audit and Governance Committee. This report is intended solely for the use of the Audit and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We have progressed our audit of Oxfordshire Pension Fund for the year ended 31 March 2020, but are not yet in a position to conclude on a number of areas.

As set out on pages 5 and 20, a number of issues have arisen as a result of COVID-19 which have impacted our work, and may yet have an impact on our audit report.

We would like to thank your staff for their ongoing help during the engagement, especially as they have themselves also needed to adapt to remote working and the pressures and strains that come with that. We are very grateful for their help.

We welcome the opportunity to discuss the contents of this report, or any other issues arising from our work with you, at the Audit and Governance Committee meeting on 22 July 2020.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

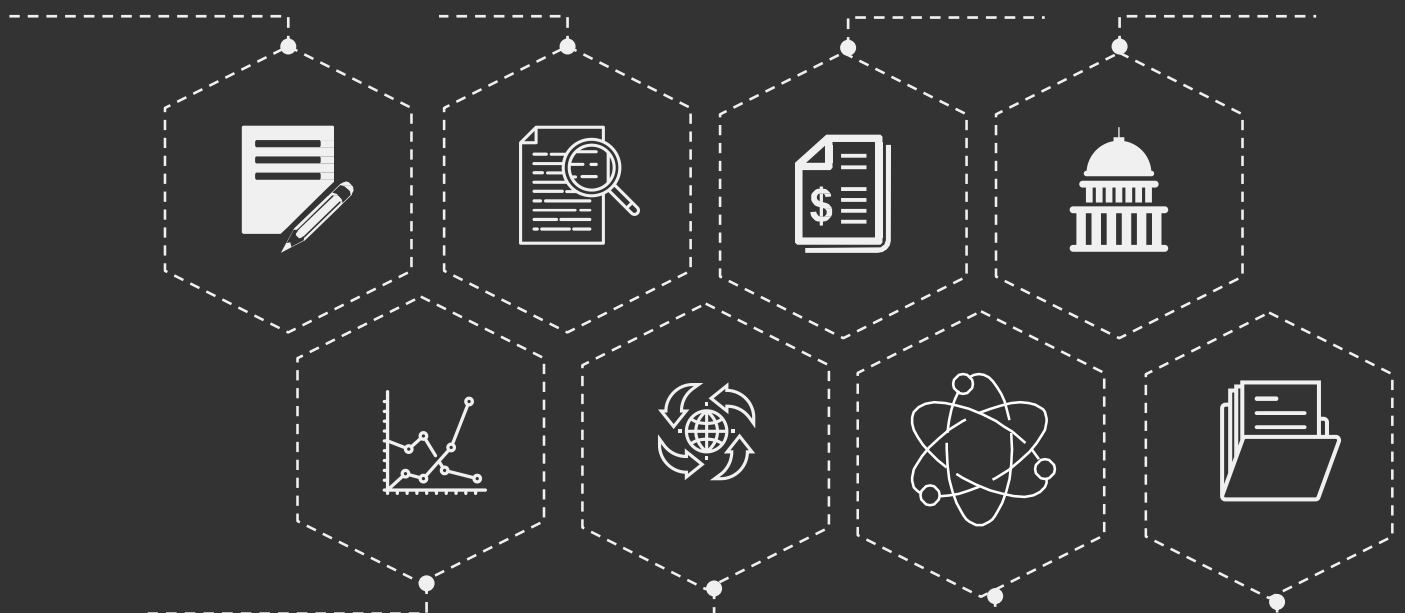
Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences



05 Other reporting issues

06 Assessment of Control Environment

07 Independence

08 Appendices

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). It is available from the Chief Executive of each audited body and via the PSAA website.

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.



01

Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the 27 May 2020 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

As a result of COVID-19, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to publication date for accounts, with an audit report if available, from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of COVID-19

- **Valuation of Investments**- financial markets have experienced some volatility even before the advent of COVID-19. The uncertain impact of the virus on markets has had an impact on pooled property funds with underlying property investments being subject to RICS 'material uncertainty' paragraphs in their valuation reports. There are also increased risks that market and economic trends may not be adequately reflected in assets classified as Level 3 – valued according to unobservable information. The Fund's officers have challenged valuations, especially those which are classified as level 3 (and are the most complex to value because of their nature, see p.11.) We considered level 3 investment valuations to be a significant risk when we planned the audit, and COVID-19 has exacerbated the position.
- **Disclosures on Going Concern** – Financial plans for 2020/21 and medium term financial plans need revising for COVID-19. We considered the unpredictability of the current environment gave rise to a risk that the Pension Fund would not appropriately disclose key factors relating to going concern, underpinned by management's assessment with particular reference to COVID-19 and the Fund's actual year-end financial position and performance.
- **Events after the balance sheet date** – We identified an increased risk that further events may occur after the balance sheet date concerning the current COVID-19 pandemic, which may well need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Pension Fund.

Changes to the scope of our audit as a result of COVID-19

- We followed up any impact of COVID-19 on how internal controls operated, and revisited the risks around the valuation of investments and how officers had challenged the valuations provided to them by their specialists.

Changes in materiality

In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £25.1m, with performance materiality, at 75% of overall materiality, £18.9m, and a threshold for reporting misstatements of £1.26m. We have considered whether any change to our materiality is required in light of COVID-19. Following this consideration we remain satisfied that the basis for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

We updated our planning materiality assessment using the draft financial statements. Based on our materiality measure of 1% of assets we have updated our overall materiality assessment to £23.6m. This results in updated performance materiality, at 75% of overall materiality, of £17.7m, and an updated threshold for reporting misstatements of £1.18m.



Executive Summary

Status of the audit

We have progressed our audit of the Pension Fund's financial statements for the year ended 31 March 2020 and are in the process of performing the procedures outlined in our audit planning report. However we are still undertaking the significant elements of work most impacted by the Covid-19 pandemic.

We therefore need to complete key areas relating to:

- Confirmation of final level 3 investment balances and assurance on how they have been arrived at with regard to the impact of the Covid-19 pandemic;
- Review of management's going concern assessment
- Subsequent events review
- Receipt of the signed management representation letter
- Final review of the updated financial statements and annual report following audit.

We have therefore not included a pro forma of the opinion as we have in previous years while a substantial element of our audit procedures are to be completed.

Audit differences

There are no unadjusted differences arising from our audit at the current time.

We have identified a small number of audit differences in disclosures which have been adjusted by management. These all fall below the level at which we need to report them to you.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

Executive Summary

Areas of audit focus

Our audit planning report identified key areas of focus for our audit of Oxfordshire Pension Fund's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and that is unknown to you.

We have adopted a fully substantive approach, so have not tested the operation of controls.

Other reporting issues

There are currently no other reporting issues for your attention.

Independence

Please refer to Section 7 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What did we do and what judgements did we focus on?

Page 71.

We asked management about risks of fraud and the controls to address those risks; Ensured we understood the oversight given by those charged with governance of management's processes over fraud; and considered the effectiveness of management's controls designed to address the risk of fraud.

We also performed mandatory procedures regardless of specifically identified fraud risks, including:

- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- assessing accounting estimates for evidence of management bias; and
- evaluating the business rationale for significant unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale.

What are our conclusions?

Based on the work completed to date we have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied or management bias. We have not identified any transactions during our audit which appeared unusual or outside the Pension Fund's normal course of business.



Significant risk

Risk of inappropriate posting of investment valuation

What is the risk?

Investment valuations are manually input on the GL, so there is opportunity to manipulate the valuation of investments and the resulting investment income.

Manipulation of investment would increase the net value of pension fund assets, and increase the investment returns recognised in year.

Total Investments for 2018/19 were £2,423m, and total investment income and change in market value of Fund assets in 2018/19 were £165m.

As our planning performance materiality was £18.9m, any manipulation over 0.8% and 11.5% would result in a material error to the value of investments.



What did we do and what judgements did we focus on?

we:

- Reconciled the investment value to both the fund manager and custodian reports.
- Reviewed the investment accounts in the general ledger and investigated any unusual items
- Journal testing – we used our testing of journals to identify high risk transactions, such as items posted to investment or related accounts outside the normal process.

We also used our data analytics capabilities to assist our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluate for business rationale.

What are our conclusions?

Based on the work completed to date, we have not identified any evidence of inappropriate accounting for investment values.



Significant risk

Valuation of complex investments (Level 3 Fair Value hierarchy)

What is the risk?

Investments at Level 3 are those where at least one input that could have a significant effect on the asset's valuation is not based on observable market data (there were £130m level 3 investments in the 2018/19 financial statements).

Significant judgements are made by the Investment managers or administrators to value these investments whose prices are not publicly available. The material nature of Investments means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements. The COVID-19 pandemic is such an event.

What did we do and what management judgements did we focus on?

Page 78
We:

- are reviewing the latest available audited accounts for the relevant funds and ensuring there are no matters arising that highlight weaknesses in the fund's valuation;
 - where the latest audited accounts were not as at 31 March 2020, we are performing analytical procedures and other procedures to assess the valuation for reasonableness against our own expectations; and
 - test that accounting entries were correctly processed in the financial statements.
-
- We note that in the 2019/20 financial statements, pooled property assets were redefined as level 3 assets (from level 2 in previous years). As a result of the impact of COVID-19 on investments, many property valuers are issuing valuations for the underlying property assets including material uncertainty paragraphs in their valuation report, which increases the risk around valuation of these funds.

What are our conclusions?

Our work in this area is ongoing, and we are not yet in a position to conclude.



Other areas of audit focus

Valuation of level 2 investments

What is the risk?

Level 2 investments include pooled funds and private equity investments, where fair value is based on some elements of unobservable information.

There is a risk that the comparable inputs are not appropriate and valuation could be misstated.

What did we do and what management judgements did we focus on?

We are performing analytical procedures and checking the valuation input and output for reasonableness against our own expectations.

We note that pooled property funds defined in previous years as level 2 have been reclassified as (higher valuation risk) level 3 investments because of the effects of COVID-19, so we will include this in our level 3 work.

What are our conclusions?

We have not yet concluded our work in this area.



Other areas of audit focus

Transfer of assets to the Brunel Partnership

What is the risk?

Brunel Pension Partnership was set up by Oxfordshire Pension Fund and nine other pension funds to oversee investment of pension fund assets and achieve savings over the longer term.

2018/19 was the first financial year where assets were transferred in exchange for units in the pooled fund. In 2019/20 a further £342m was transferred.

There is a risk that the transfer of assets is not complete.

What did we do and what management judgements did we focus on?

We reviewed reconciliations and post-transition reports from third parties to obtain assurance over the completeness of the transfer.

What are our conclusions?

We have yet to complete our work in this area.



03 Audit Report



Draft audit report

Our opinion on the financial statements

The form of the audit report is to be confirmed, given the impact of COVID-19 on pension funds and local authorities nationally.



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of differences

We highlight any misstatements greater than £17.7 million which have been corrected by management during the course of our audit. There are no corrected misstatements to bring to your attention.

We report to you any uncorrected misstatements greater than our nominal value of £1.18 million. There are no uncorrected misstatements to bring to your attention at this time.

Some minor disclosure amendments have been made which do not need to be brought to the Committee’s attention.



05

Other reporting issues



Other reporting issues

Consistency of other information published with the financial statements.

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements is consistent with the audited financial statements.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of Oxfordshire Pension Fund's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
 - Any significant difficulties encountered during the audit;
 - Any significant matters arising from the audit that were discussed with management;
 - Written representations requested by us;
 - Expected modifications to the audit report;
 - Any other matters significant to overseeing the financial reporting process;
- Related parties;
External confirmations;
Going concern; and
Consideration of laws and regulations.

We currently have no matters to report, but as noted earlier in this report our procedures remain ongoing particularly in respect of completing the assessment of Going Concern disclosures, and the final form of the audit report.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to have proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained enough understanding of internal controls to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2020, in line with the disclosures set out in FRC Ethical Standard and in statute. Further detail of all fees has been provided to the Audit and Governance Committee with measurement against pre-approved limits.

We confirm that none of the services provided has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Confirmation and analysis of audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 26 February 2020.

We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by you as well as by us. It is therefore important that you and your Audit & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit & Governance Committee on 22 July 2020.

We confirm we plan to undertake non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd . We will apply the necessary safeguards in our completion of this work.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee – Code work	TBC	18,563*	18,563
IAS19 disclosure work	TBC	5,500	5,500
Triennial valuation work	TBC	1,500-	N/A
Total Audit Fees	TBC	25,563	24.063

All fees exclude VAT

Note: the scale fee for 2019/20 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work on pages 5-13. Since completing our planning report, we have considered the impact on the fee to reflect those underlying costs. This has been modelled across Pension Funds for consistency, and we estimate a fee reflecting those costs fully would be in the range of £55,000 to £60,000 (and £10,000 for IAS19 disclosure work).

We have also incurred additional costs in addressing the increased risks associated with COVID-19, including asset valuations and the impact on the going concern assessment. We will discuss and agree a fee with management and PSAA, and communicate progress to the Audit & Governance Committee.



08

Appendices






Audit approach update

We are required to communicate whether there have been any changes to the audit of the net assets statement from the prior year audit. In 2019/20 we have again taken a fully substantive approach to the audit and there have been no significant changes to our approach, other than those necessitated by the potential impact of COVID-19 detailed elsewhere in this report.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework




Summary of communications

Date 	Nature 	Summary 
Throughout the year	Meetings, calls and e-mails	The Manager has been in regular contact with the Director of Finance and relevant finance staff on the Fund's risks, accounts closedown and the audit approach.
<ul style="list-style-type: none"> 08/05/2019 committee 17/7/2019 committee 11/9/2019 committee 13/11/2019 committee 15/01/2020 committee 27/05/2020 committee 	Meetings and reports	<p>The Associate Partner and/or Manager have attended all meetings of the Audit and Governance Committee held during the year and through to the date of issue of this report.</p> <p>Specific reports issued and communications with the Audit and Governance Committee are detailed in Appendix C.</p> <p>Progress updates have been presented to each meeting, either verbally or in writing.</p>
<ul style="list-style-type: none"> 30/01/2020 26/02/2020 03/04/2020 12/05/2020 19/05/2020 	Meetings	<p>The Manager has met regularly with the Director of Finance and relevant staff throughout the year to discuss the audit of both County Council and Fund matters up to the date of issue of this report.</p> <p>During the Pension Fund final accounts audit we engaged directly with Fund staff at least weekly.</p>

In addition to the above specific meetings and letters the audit team met with the management team throughout the audit to discuss audit findings.

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	27 May 2020 Audit and Governance Committee – Audit Plan NB the plan was produced in February 2020 before lockdown changed the committee timetable. A verbal update was given to the May committee alongside the plan to take account of COVID-19 developments
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	27 May 2020 Audit and Governance Committee – Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view on the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	22 July 2020 Audit and Governance Committee – Audit Results Report



Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Public Interest Entities / Major Local Audits	<p>For the audits of financial statements of public interest entities our written communications to the Audit and Governance Committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to Audit and Governance Committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant 	<p>27 May 2020 Regulation, Audit and Accounts Committee – Audit Plan and</p> <p>22 July 2020 Audit and Governance Committee – Audit Results Report</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	22 July 2020 Audit and Governance Committee – Audit Results Report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management 	22 July 2020 Audit and Governance Committee – Audit Results Report
Subsequent events	<ul style="list-style-type: none"> • Asking the Audit and Governance Committee where appropriate about whether any subsequent events have occurred that might affect the financial statements. 	22 July 2020 Audit and Governance Committee – Audit Results Report
Fraud	<ul style="list-style-type: none"> • Asking the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Pension Fund • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Pension Fund, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to committee responsibility. 	22 July 2020 Audit and Governance Committee – Audit Results Report

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Pension Fund's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Pension Fund 	<p>22 July 2020 Audit and Governance Committee – Audit Results Report</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	<p>27 May 2020 Regulation, Audit and Accounts Committee – Audit Plan and</p> <p>22 July 2020 Audit and Governance Committee – Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>We have received all requested confirmations</p>



Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Asking the Audit and Governance Committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	22 July 2020 Audit and Governance Committee – Audit Results Report
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	22 July 2020 Audit and Governance Committee – Audit Results Report
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations from management and/or those charged with governance 	22 July 2020 Audit and Governance Committee – Audit Results Report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	22 July 2020 Audit and Governance Committee – Audit Results Report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	22 July 2020 Audit and Governance Committee – Audit Results Report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	27 May 2020 Audit and Governance Committee – Audit Plan and 22 July 2020 Audit and Governance Committee – Audit Results Report

Management representation letter

Oxfordshire Pension Fund – anticipated draft, based on the current position of the audit. Further representations may be required.

Management Representation Letter

xx July 2020

Kevin Suter
Associate Partner
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Page 96

This letter of representations is provided in connection with your audit of the financial statements of Oxfordshire Pension Fund (“the Fund”) for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2019 to 31 March 2020 and of the amount and disposition of the Fund’s assets and liabilities as at 31 March 2020, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of the Fund’s financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the

Management representation letter

CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls

6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Management representation letter

3. All material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through 2019/20 to the most recent meeting of the Audit and Governance Committee on 22 July 2020.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities relating to litigation and claims, both actual and contingent, and have disclosed in Note 25 to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as disclosed in the financial statements, there have been no events (including events related to the COVID-19 pandemic) subsequent to period end which require adjustment of, or disclosure in, the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Oxfordshire Pension Fund Annual Report 2018/19.
2. We confirm that the content contained within the other information is consistent with the financial statements.



Management representation letter

[When not available prior to finalizing the auditor's report] We will provide to you the final version of documents when available *[or X date]* and prior to issuance by us, such that you can perform your procedures.

G. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no [members of the management of the Fund] of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

H. Derivative Financial Instruments

1. We confirm that the Fund has made no direct investment in derivative financial instruments.
2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

I. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

J. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31 March 2019 and dated 31 March 2020 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value the investments held by the Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

Valuation of investments

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020.

We confirm that the significant assumptions used in making the investment valuations appropriately reflect our intent and ability to carry out the obligations of the Fund on behalf of



Management representation letter

2. We confirm that the significant assumptions used in making the investment valuations appropriately reflect our intent and ability to carry out the obligations of the Fund on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic, and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Going concern

The financial statements disclose all the matters of which we are aware relevant to the Fund's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Yours faithfully,

Lorna Baxter
Director of Finance

Cllr Nick Carter
Chairman of the Audit and Governance Committee

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ED None

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Division(s): N/A

ITEM 7

AUDIT & GOVERNANCE COMMITTEE – 22 JULY 2020

TREASURY MANAGEMENT OUTTURN 2019/20

Report by Director of Finance

RECOMMENDATION

1. **Cabinet is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2019/20.**

Executive Summary

2. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management 2017' requires that the Council and Audit & Governance Committee receives an updated report on Treasury Management activities at least twice per year. This report is the second report for the financial year 2019/20 and sets out the position as at 31 March 2020.
3. Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
4. At 31 March 2020, outstanding debt totalled £341m and average interest paid on long-term debt was 4.43%. The Council repaid £2m of maturing PWLB loans during the year. No new borrowing was arranged during 2019/20. The Council's debt financing position for 2019/20 is shown in Annex 1.
5. The Treasury Management Strategy for 2019/20 was based on an average base rate forecast of 0.88% (0.75% from April 2019 to September 2019, then 1.00% from October 2019 to March 2020). The budget for interest receivable assumed that an average interest rate of 0.98% would be achieved. The average daily balance of temporary surplus cash invested in-house was £374m in 2019/20.
6. The Council achieved an average in-house return for the year of 0.91%, producing gross interest receivable of £3.475m. In relation to external funds, gross distributions totalling £4.378m were realised in year, bringing total investment income to £7.853m. This compares to budgeted investment income of £6.170 m, giving a net overachievement of £1.683m.
7. At 31 March 2020, the Council's investment portfolio of £443.260m comprised £302.500m of fixed term deposits, £14.800m in notice accounts, £35.986m at short term notice in money market funds and £89.974m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 March 2020.

Treasury Management Activity

Debt Financing & Maturing Debt

8. The Strategy for Long Term Borrowing included the option to fund new or replacement borrowing up to the value of £50m through internal borrowing to reduce the Council's exposure to credit risk and reduce the cost of carry (difference between borrowing costs and investment returns) whilst debt rates remained higher than investment interest rates.
9. The Council is able to borrow from the Public Works Loan Board (PWLB) or through the money markets. However, as the Council was able to undertake internal borrowing no new borrowing was arranged during 2019/20.
10. At 31 March 2020, the authority had 55 PWLB loans totalling £291.383m, 9 LOBO¹ loans totalling £45m and one £5m money market loan. The average rate of interest paid on PWLB debt was 4.51% and the average cost of LOBO debt in 2019/20 was 3.94%. The cost of debt on the money market loan was 3.95%. The combined weighted average for interest paid on long-term debt was 4.43%. The Council's debt financing position for 2019/20 is shown in Annex 1.
11. In October 2019, the PWLB increased all of their standard borrowing rates by 1.00%
12. The Council continues to qualify for the Certainty Rate on PWLB loans, offering a 0.20% discount on the Standard Rate (currently gilts plus 2.00%). Qualification is based on provision of additional information on long-term borrowing and associated capital spending plans.
13. The Council repaid £2m of maturing PWLB loans during the year. The weighted average interest rate payable on the matured loans was 2.350%. The outturn for Interest Payable in 2019/20 was £15.2m which is in line with the budget in the Medium Term Financial Plan. The details are set out in Annex 2.

Investment Strategy

14. Security and liquidity of cash was prioritised above the requirement to maximise returns. The Council used fixed deposits, call accounts, notice accounts, money market funds and pooled funds to deposit its in-house cash surpluses during 2019/20. The Council continuously monitored credit quality information regarding the institutions on the Council's approved Lending List.
15. As a direct result of the increase in PWLB lending rates, inter local authority lending rates also increased. To take advantage of these inflated rates, the long term lending limit for 2019/20 was increased during the year from £150m to £180m.
16. During 2019/20 the Council limited the exposure to banks by lending to local authorities. At 31 March 2020 the Council had £64m of long-term fixed deposits (deposits over 364 days), all of which were placed with local authorities. The aim was to maintain a high level of security and manage exposure to interest rate and counterparty risk.

¹ LOBO (Lender's Option/Borrower's Option) Loans are long-term loans which include a re-pricing option for the bank at predetermined intervals.

17. The inter local authority lending market is beneficial to both the lender and the borrower. The lender is able to benefit by having access to high security deposits. The borrower is able to secure short to medium term cash at a borrowing cost that is lower than available through PWLB or other money market participants.
18. The weighted average maturity of all deposits at 31 March 2020, including money deposited in short-term notice accounts, was 193 days (compared with 181 days during 2018/19). This comprised £302.500m fixed deposits with a weighted average maturity of 214 days, £14.800m in notice accounts with a weighted average maturity of 95 days and £35.986m invested in money market funds and call accounts with same day liquidity. The increase in weighted average maturity was a strategic decision to take advantage of inflated longer term lending rates.
19. The 2019/20 Treasury Management Strategy allowed for 50% of the total portfolio to be help in Strategic Pooled funds. During the year, the Council maintained the investment in Strategic Pooled Funds. These funds are all income producing. As the value of the funds can fluctuate, these investments are treated as long term.

The Council's Lending List

20. The Council's in-house cash balances are deposited with institutions that meet the Council's approved credit rating criteria. The approved Lending List is regularly updated during the year to reflect changes in bank and building society credit ratings. Changes are reported to the Cabinet on a regular basis as part of the Financial Monitoring & Business Strategy Delivery reports. The approved lending list may also be further restricted by officers, in response to changing conditions and perceived risk. Annex 3 shows the amendments incorporated into the Lending List during 2019/20, in accordance with the approved credit rating criteria and additional temporary restrictions.

Investment Outturn

21. The average daily balance of temporary surplus cash invested in-house was £374.200m in 2019/20. The Council achieved an average in-house return for the year of 0.91%, producing gross interest receivable of £3.747m. Temporary surplus cash balances include: developer contributions; council reserves and balances; trust fund balances; and various other funds to which the Council pays interest at each financial year end, based on the average three month London Interbank Bid (LIBID) rate.
22. During 2019/20 the average three month LIBID rate was 0.64%. The Council's average in-house return of 0.91% exceeded this benchmark by 0.27%. The average in-house return was 0.07% lower than the rate of interest of 0.98% assumed in the budget. The budgeted forecast was for UK Base Rate to rise from 0.75% to 1.00% in October 2019, however the Monetary Policy Committee maintained rates at 0.75% until March, and then reduced rates to 0.25% and 0.10% on 11th March and 19th March respectively as a result of the Coronavirus Pandemic.
23. The Council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During 2019/20 the average balance held on instant access was £60.237m.

24. In response to the increased inter local authority lending rates and the increase in longer term lending limit during 2019/20 from £150m to £180m, the treasury team were able to secure longer term deposits ranging from 1 to 3 years, with annual interest of 1.60% to 1.90%.
25. During 2020/21, after a detailed analysis of cashflow, long term lending limits for 2020/21 were increased from £200m to 215m and 2021/22 from £170m to £175m. These increases have allowed the treasury team to secure circa £100m of long term loans with an average interest rate of 1.53% and an average maturity of 2.19 years. As a result, the budget for interest for in house investments for 2020/21 has already been exceeded by £0.500m and £1.423m of the £2,027m budget for 2021/22 is already guaranteed.
26. Gross distributions from pooled funds totalling £4.378m were realised in year, bringing total investment income to £7.853m. This compares to budgeted investment income of £6.170m, giving a net overachievement of £1.683m. The overachievement in income received was due to a combination of higher than forecast average cash balances and higher than forecast distributions from pooled funds.
27. As at 31 March 2020 the total value of pooled fund investments was £89.974m. This This represents a book value loss of £11.031m. The loss was a direct result of global investment market contractions as a result of the Coronavirus pandemic. Under accounting regulations, gains and losses are recognised in the Comprehensive Income and Expenditure Account but are reversed out to an unusable reserve. This ensures that variations in value do not impact the general fund until the point at which fund units are sold.
28. As of 31st May 2020, the external funds have partially recovered some of their book losses and are valued at £93.860m.
29. At 31 March 2020, the Council's investment portfolio of £443.260m comprised £302.500m of fixed term deposits, £14.800m in notice accounts, £35.986m at short term notice in money market funds and call accounts and £89.974m in pooled funds with a variable net asset value (VNAV). Annex 4 provides an analysis of the investment portfolio at 31 March 2020.
30. The council's Treasury Management Strategy Team regularly monitors the risk profile of the Council's investment portfolio. An analysis of the credit and maturity position of the portfolio at 31 March 2020 is shown in Annex 4.

Prudential Indicators for Treasury Management

31. During the financial year, the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Report. The outturn for the Prudential Indicators is shown in Annex 5.

External Performance Indicators and Statistics

32. The Council's treasury management advisors Arlingclose also benchmark the Council's investment performance against its other clients on a quarterly basis. The results of the quarter 4 benchmarking to 31 March 2020 are included in Annex 6.
33. The benchmarking results show that the Council was achieving higher than average interest on deposits at 31 March 2020 with lower than average credit risk, when compared with a group of 137 other local authorities. This has been achieved by placing deposits over a longer than average duration with institutions that are of higher than average credit quality.
34. Oxfordshire had a higher than average allocation to local authority deposits when compared with other local authorities in the benchmarking exercise. Oxfordshire also had a notably lower than average exposure to money market funds, call accounts and the Debt Management Office's deposit account, and a higher than average exposure to Strategic Pooled Funds. This is consistent with the approach set out in the Treasury Management Strategy

Financial and Legal Implications

35. This report is mostly concerned with finance and the implications are set out in the main body of the report.
36. There are no direct legal implications arising from this report save for the need for ongoing collaborative working between the S.151 Officer and the Monitoring Office. CIPFA guidance promotes the need for consultative working and collaboration between these respective roles to promote good organisational governance

LORNA BAXTER

Director of Finance

Contact officer: Tim Chapple

Telephone Number: 07917 262935

July 2020

OXFORDSHIRE COUNTY COUNCIL DEBT FINANCING 2019/20

	£'m
DEBT PROFILE	
1 PWLB	293.38
2 Money Market LOBO loans	45.00
3 Other Long term loans	5.00
4 Temporary Loans	0.00
5 Internal Balances	9.35
6 ACTUAL DEBT AT 01.04.19	352.73
7 Government Supported Borrowing	9.35
8 Unsupported Borrowing	0.00
9 Borrowing in advance	0.00
10 Repayments -minimum revenue provision	-9.35
11 TOTAL DEBT AT 31.3.20	352.73
DEBT REPAID	
12 PWLB Normally Maturing Loans	2.00
13 Early debt repayments	0.00
14 Total Debt Repaid	2.00
NEW EXTERNAL BORROWING	
15 PWLB New Borrowing	0.00
16 PWLB Replacement following Early Repayment	0.00
17 LOBO New Borrowing	0.00
18 Money Market New Borrowing	0.00
19 Total External Borrowing	0.00
20 YEAR END DEBT PROFILE	
21 PWLB	291.38
22 Other Long Term Loans	50.00
23 Temporary Loans (External)	0.00
24 Internal Balances	11.35
25 TOTAL YEAR END DEBT	352.73

Line

- 1-6. This is a breakdown of the Council's debt at the beginning of the financial year (1 April 2018). The PWLB is a government agency operating within the Debt Management Office. LOBO (Lender's Option/ Borrower's Option) loans are long-term loans, with a maturity of up to 60 years, which includes a re-pricing option for the bank at predetermined time intervals. Internal balances include provisions, reserves, revenue balances, capital receipts unapplied and excess of creditors over debtors.
7. 'Government Supported Borrowing' is the amount that the Council can borrow in any one year to finance the capital programme. This is determined by Central Government, and in theory supported through the Revenue Support Grant (RSG) system.
8. 'Unsupported Borrowing' reflects Prudential Borrowing taken by the authority whereby the associated borrowing costs are met by savings in the revenue budget.
9. 'Borrowing in Advance' is the amount the Council borrowed in advance during 2019/20 to fund future capital finance costs.
10. The amount of debt to be repaid from revenue. The sum to be repaid annually is laid down in the Local Government and Housing Act 1989, which stipulates that the repayments must equate to at least 4% of the debt outstanding at 1 April each year.
11. The Council's total debt by the end of the financial year at 31 March 2020, after taking into account new borrowing, debt repayment and movement in funding by internal balances.
12. The Council's normal maturing PWLB debt.
13. PWLB debt repaid early during the year.
14. Total debt repaid during the year.
15. The normal PWLB borrowing undertaken by the Council during 2019/20.
16. New PWLB loans to replace debt repaid early.
17. The Money Market LOBO borrowing undertaken by the Council during 2019/20.
18. The Money Market Fixed Rate borrowing undertaken by the Council during 2019/20.
19. The total external borrowing undertaken.
- 20-25. The Council's debt profile at the end of the year.

Long-term debt Maturing 2019/20**Public Works Loan Board: Loans Maturing in 2019/20**

Date	Amount £m	Rate %	Repayment Type
13/07/2019	0.5	2.350	EIP
13/01/2020	0.5	2.350	EIP
31/07/2019	0.5	2.350	EIP
31/01/2020	0.5	2.350	EIP
Total	2.0		

Repayment Types

Maturity – Full amount of principal is repaid at the final maturity date

EIP – Equal Instalments of Principal are repaid every 6 months until the final maturity date

Lending List Changes during 2019/20

Lending limits & maturity limits changed from 1 April 2019

	01/04/2019		31/03/2020	
	Lending Limit	Maximum Maturity	Lending Limit	Maximum Maturity
Federated Cash Funds	£12,	n/a	£20m	n/a
Coventry Building Society	£15m	6 months	£15m	100 Days
Development Bank of Singapore	£25m	13 months	£25m	6 months
Overseas Chinese Banking Corp	£25m	13 months	£25m	6 months
United Overseas Bank	£25m	13 months	£25m	6 months

OXFORDSHIRE COUNTY COUNCIL INVESTMENT PORTFOLIO 31/03/2020

Fixed term deposits held at 31/03/2020

Counterparty	Principal Deposited (£)	Maturity Date
London Borough of Croydon Council	£5,000,000	03/07/2020
Lancashire County Council	£5,000,000	21/09/2020
Monmouthshire County Council	£5,000,000	13/11/2020
Barnsley Metropolitan Borough Council	£5,000,000	27/11/2020
Liverpool City Council	£5,000,000	20/07/2020
Spelthorne Borough Council	£4,000,000	02/07/2021
Doncaster Metropolitan Borough Council	£3,500,000	09/07/2020
Darlington Borough Council	£5,000,000	29/01/2021
Uttlesford District Council	£2,500,000	06/07/2020
Thurrock Council	£5,000,000	20/05/2020
Blackpool Council	£5,000,000	30/06/2020
Rotherham Metropolitan Borough Council	£5,000,000	06/07/2020
Suffolk County Council	£5,000,000	30/07/2020
Slough Borough Council	£7,000,000	30/04/2020
Blackpool Council	£7,000,000	31/07/2020
West Dunbartonshire Council	£6,000,000	21/10/2020
Lancashire County Council	£5,000,000	18/11/2020
Surrey County Council	£5,000,000	22/05/2020
Lancashire County Council	£5,000,000	29/05/2020
Thurrock Council	£10,000,000	02/04/2020
West Dunbartonshire Council	£5,000,000	26/06/2020
Thurrock Council	£10,000,000	14/10/2020
Thurrock Council	£5,000,000	09/10/2020
London Borough of Croydon Council	£10,000,000	25/10/2021
Australia and New Zealand Banking Group	£5,000,000	08/04/2020
Spelthorne Borough Council	£10,000,000	02/11/2020
Doncaster Metropolitan Borough Council	£5,000,000	08/10/2020
London Borough of Croydon Council	£5,000,000	06/12/2021
Warrington Borough Council	£10,000,000	14/10/2021
Rotherham Metropolitan Borough Council	£5,000,000	16/06/2020
Warrington Borough Council	£5,000,000	17/12/2020
London Borough of Hillingdon Council	£2,500,000	26/10/2020
London Borough of Southwark Council	£10,000,000	16/09/2020
Kingston Upon Hull City Council	£7,000,000	02/07/2020
Blackpool Council	£5,000,000	22/06/2020
London Borough of Waltham Forest Council	£5,000,000	28/10/2020
Monmouthshire County Council	£5,000,000	24/06/2020
Rotherham Metropolitan Borough Council	£5,000,000	12/06/2020

Police & Crime Commissioner for Nottinghamshire	£5,000,000	16/07/2020
Conwy County Borough Council	£5,000,000	08/06/2020
Eastbourne Borough Council	£3,000,000	26/05/2020
Royal Borough of Windsor and Maidenhead	£5,000,000	25/06/2020
Woking Borough Council	£5,000,000	13/01/2021
West Dunbartonshire Council	£5,000,000	08/06/2020
Dudley Metropolitan Borough Council	£5,000,000	03/01/2023
Rotherham Metropolitan Borough Council	£5,000,000	21/09/2020
Royal Borough of Windsor and Maidenhead	£5,000,000	03/08/2020
Cambridgeshire County Council	£5,000,000	09/01/2023
Wokingham Borough Council	£5,000,000	10/02/2022
Wokingham Borough Council	£5,000,000	23/03/2022
Northumberland County Council	£5,000,000	30/01/2023
Birmingham City Council	£5,000,000	30/04/2020
London Borough of Havering Council	£10,000,000	15/04/2020
Sedgemoor District Council	£5,000,000	17/04/2020

Money Market Funds

Counterparty	Balance at 31/03/20 (£)	Notice period
Aberdeen Liquidity Fund	12,330,000.00	Same day
Federated Sterling Liquidity Funds	5,340,000.00	Same day
Legal & General Sterling Liquidity Fund	7,748,515.72	Same day
Total	25,388,515.72	

Notice / Call Accounts

Counterparty	Balance at 31/03/20 (£)	Notice period
Barclays 100 Day Notice	14,800,000.00	100 days
Barclays Current	445,116.26	Same day
Handelsbanken	10,104,611.52	Same day
Total	25,349,727.78	

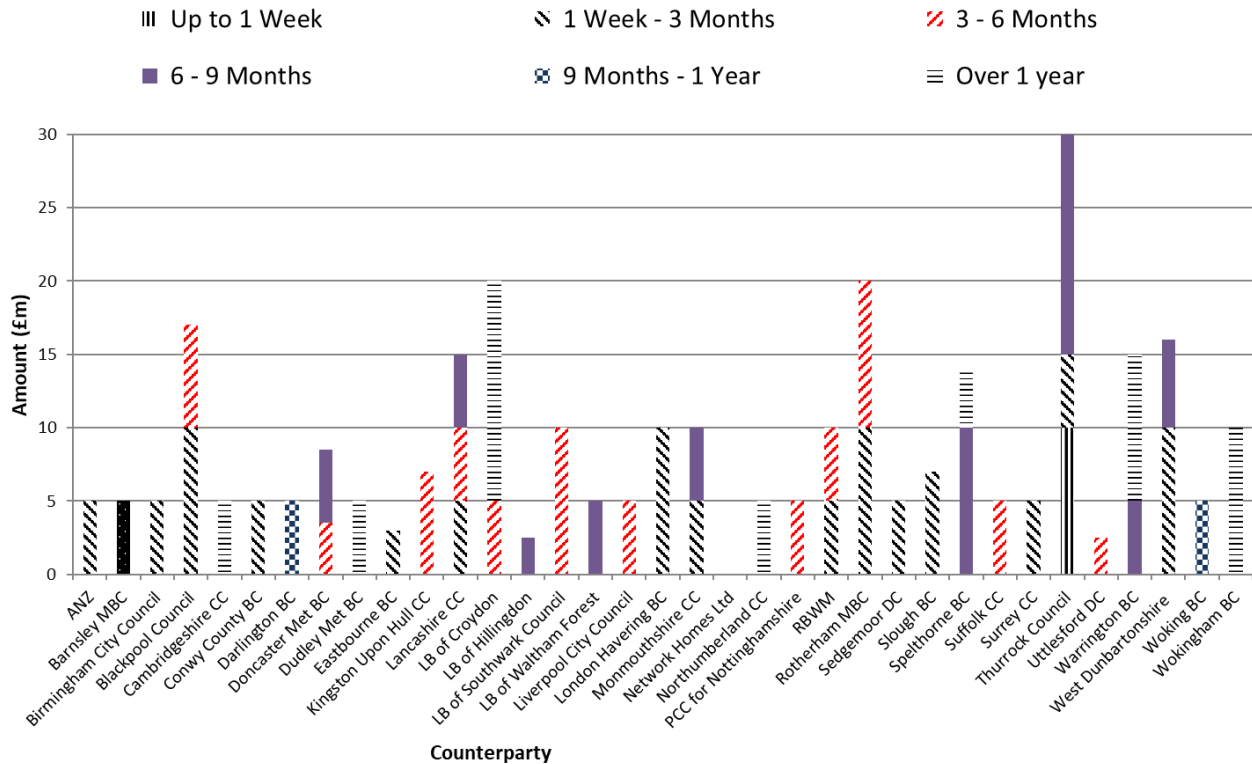
Strategic Bond Funds

Fund	Balance at 31/03/20 (£)	Notice period
Threadneedle strategic bond fund (income)	12,315,060.86	4 days
Threadneedle Global Equity Income Fund	11,061,590.08	4 days
Kames Diversified Income	8,546,585.41	4 days
Investec Diversified Income	9,066,640.87	4 days
M&G Strategic Corporate Bond Fund	11,632,073.40	4 days

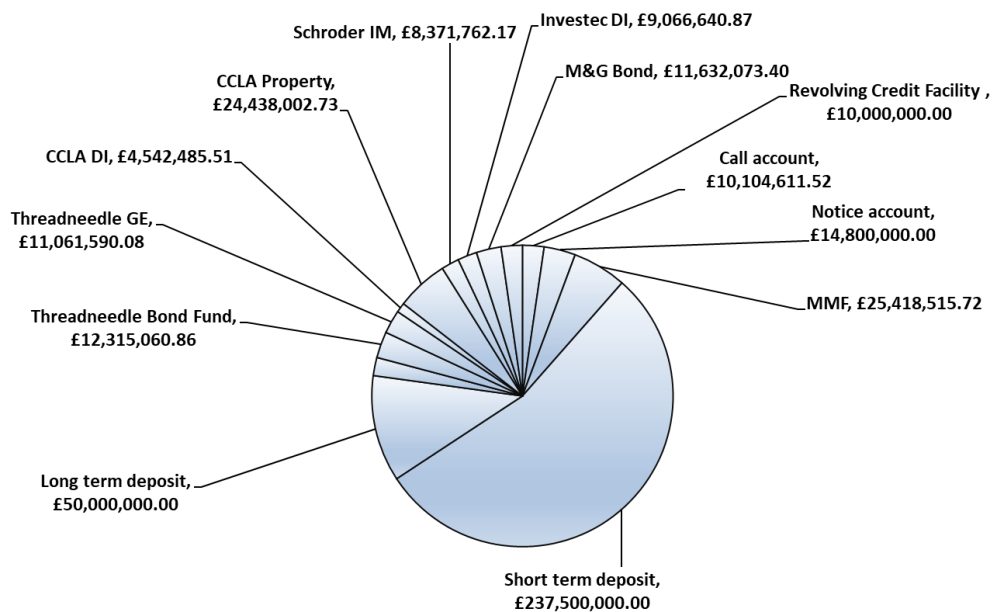
Schroder Income Maximiser	8,371,762.17	4 days
CCLA Diversified Income Fund	4,542,485.51	4 days
Total	75,660,699.37	
Property Funds		
Fund	Balance at 31/03/20 (£)	Notice period
CCLA Local Authorities Property Fund	24,438,002.73	Monthly
Total	24,438,002.73	

Investment portfolio risk profile at 31/03/20

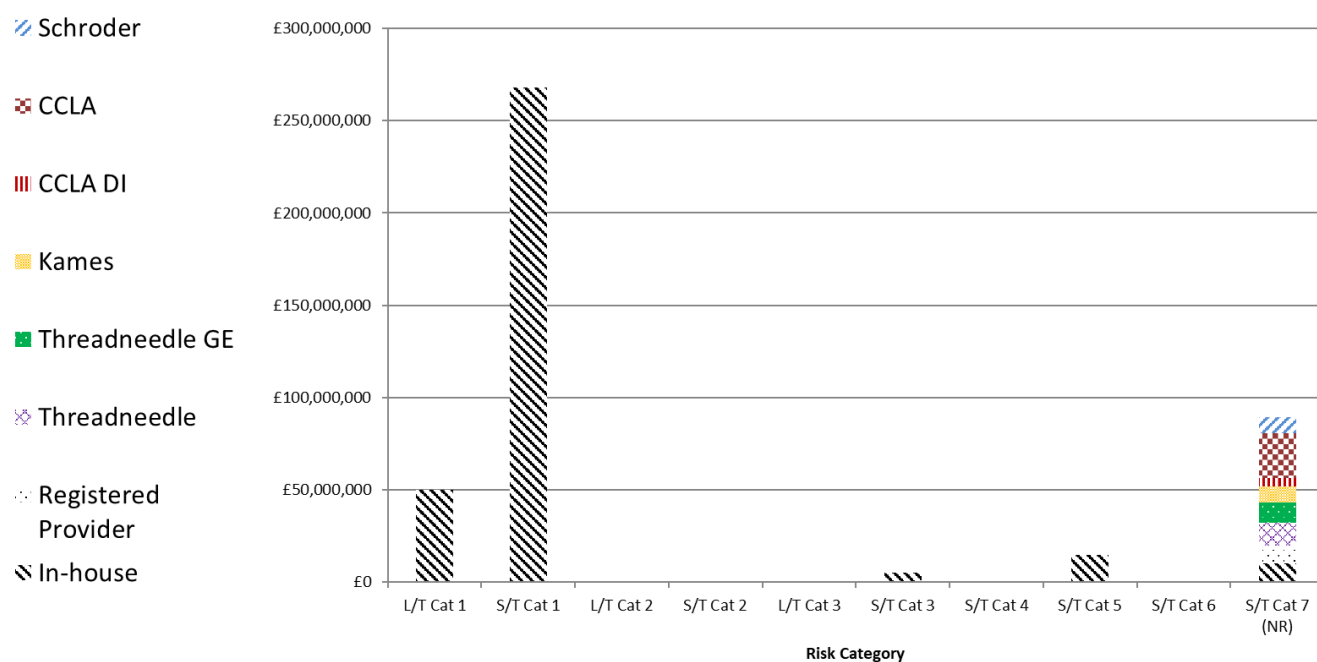
Fixed Deposit Maturity Profile as at 31.03.2020



Total Combined Portfolio as at 31.03.2020



Risk Profile - Total Combined Portfolio as at 31.03.2020



Risk Category	L/T rating	S/T rating
1 (Including Local Authorities)	AA+, AA	F1+
2	AA-	F1+
3	AA-	F1+
4	AA-	F1+
5	A+, A	F1
6	A	F1

Based on Fitch Ratings

Prudential Indicators Outturn 31 March 2020**Authorised and Operational Limit for External Debt**

Authorised Limit for External Debt	£400,000,000
Operational Limit for External Debt	£385,000,000
Actual External Debt at 31 March 2019	£365,382,618

Fixed Interest Rate Exposure

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 31 March 2019	£55,882,618

Variable Interest Rate Exposure

Variable Interest Net Borrowing limit	0
Actual at 31 March 2019	- £8,683,240

Sums Invested over 364 days

Total sums invested for more than 364 days maximum limit	£85,000,000
Actual sums invested for more than 364 days at 31 March 2019	£54,000,000

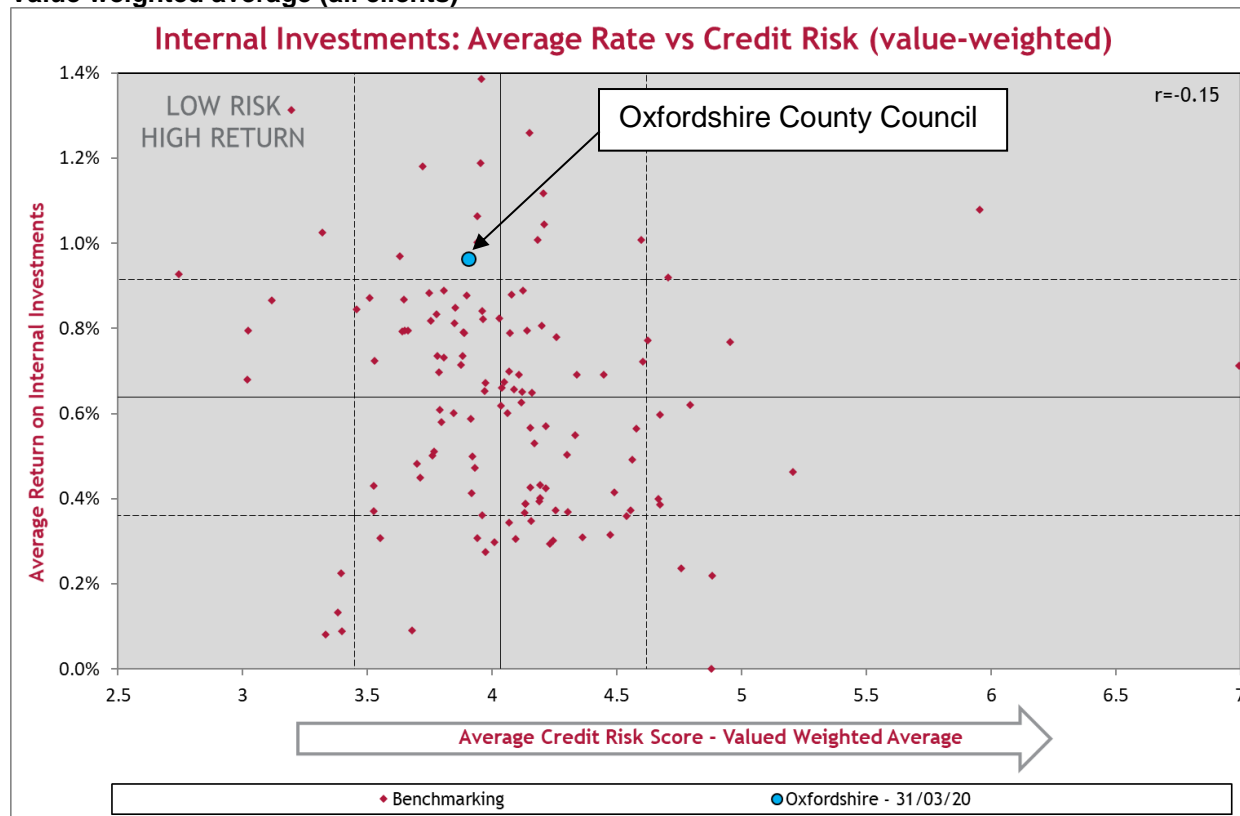
Maturity Structure of Borrowing at 31/03/18

	Limit %	Actual %
From 01/04/18		
Under 12 months	0 - 20	10.55
12 – 24 months	0 - 25	7.91
24 months – 5 years	0 - 35	9.37
5 years – 10 years	5 - 40	23.84
10 years +	50 - 95	51.67

The Prudential Indictors for maturity structure are set with reference to the start of the financial year. The actual % shown above relates to the maturity period remaining at 01/04/19 on loans still outstanding at 31/03/20.

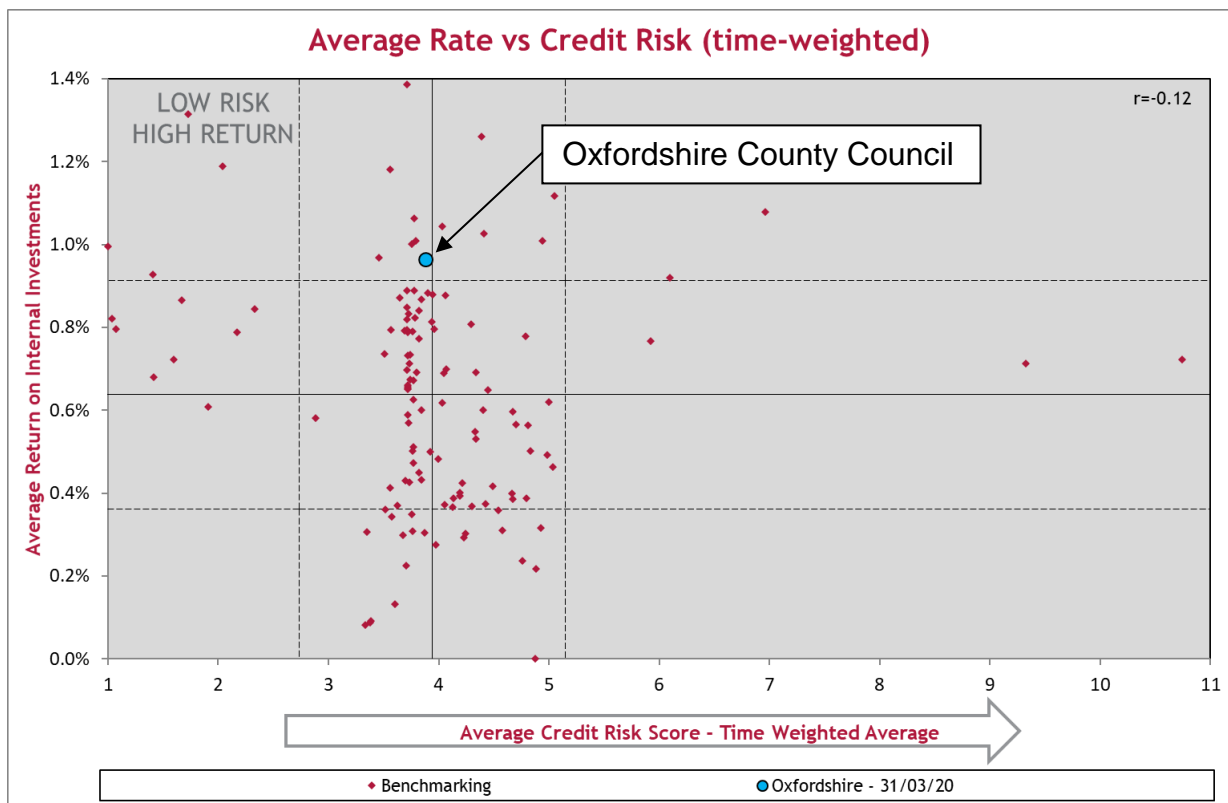
Benchmarking

Value weighted average (all clients)



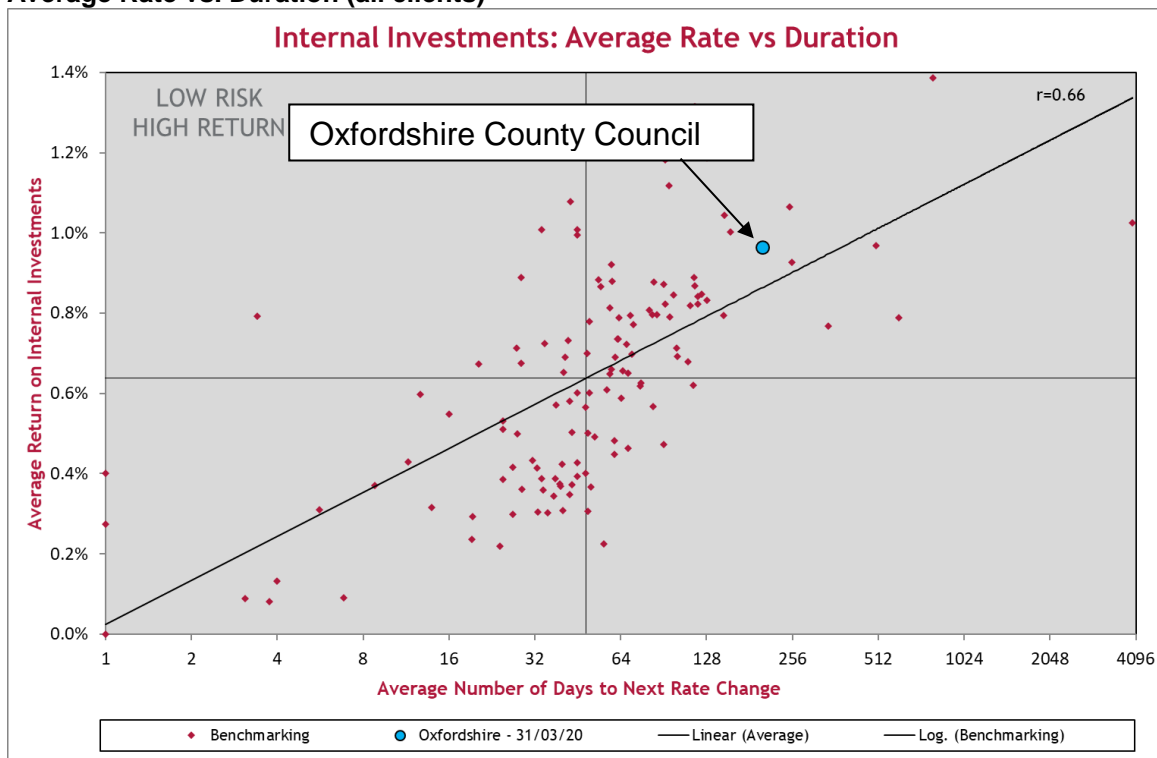
Oxfordshire County Council achieved a higher interest rate compared to the average achieved by all Arlingclose clients, whilst maintaining lower than average value weighted credit risk as at 31/03/2020.

Time weighted Average (all clients)



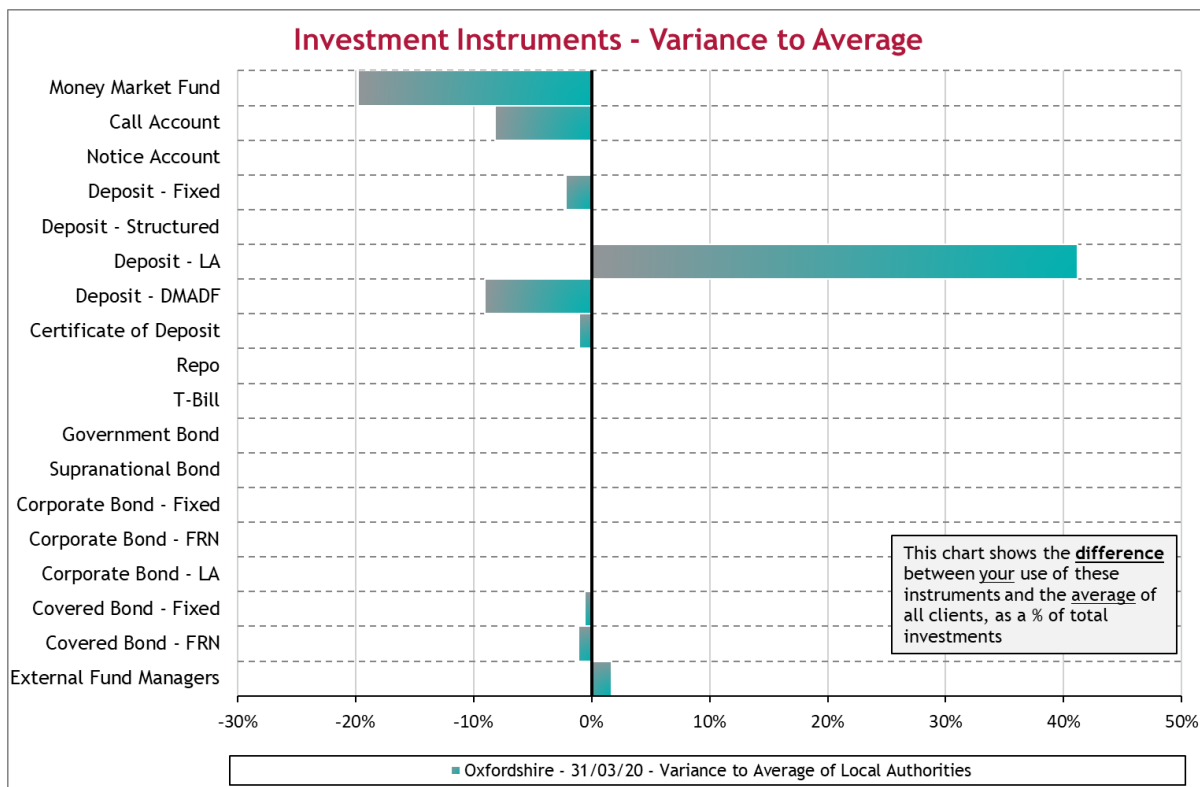
Oxfordshire County Council achieved a higher interest rate compared to the average achieved by all Arlingclose clients, whilst maintaining a just below average time weighted credit risk as at 31/03/2020.

Average Rate vs. Duration (all clients)



This graph shows that at 31/03/2020 Oxfordshire County Council achieved a higher than average return by placing deposits for longer than average duration.

Investment Instruments – Variance to Average of Local Authorities (all clients)



This graph shows that, at 31/3/2020, Oxfordshire County Council had notably higher than average allocations to local authority deposits when compared with other local authorities. Oxfordshire County Council also had notably lower exposure to money market funds, call accounts and Debt Management Office deposits.

Division(s):

AUDIT AND GOVERNANCE COMMITTEE – 22 JULY 2020

Annual Governance Statement 2019/20

Report by Monitoring Officer

RECOMMENDATION

1. **The Audit & Governance Committee is RECOMMENDED to approve the Annual Governance Statement 2019/20, 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.**

Introduction

2. The Audit & Governance Committee has the responsibility of approving the Council's Annual Governance Statement (AGS) each year.
3. Local authorities are required to prepare an AGS to be transparent about their compliance with good governance principles. This includes reporting on how they have monitored and evaluated the effectiveness of their governance arrangements in the previous year and setting out any planned changes in the coming period.
4. This year, the coronavirus pandemic has affected both the timing and the content of the AGS. The timetable to produce the AGS was extended nationally, as confirmed by guidance from CIPFA (The Chartered Institute of Public Finance and Accounting), the body which advises on good governance. CIPFA also advised that while the AGS looks at the year ending in March 2020, it should contain specific reference to the implications of the coronavirus pandemic for our governance.
5. Consequently, the AGS before you today sets out those implications and how the Council has addressed them.

Format of the Annual Governance Statement

6. The format of the Annual Governance Statement (AGS) reflects the good practice guidance from CIPFA, including their new guidance arising from the coronavirus outbreak. The AGS includes:
 - An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
 - A review of the *effectiveness* of the Council's governance arrangements
 - A *conclusion* in relation to the effectiveness

- A review of the *action plan* from last year's statement
 - An *action plan* for 2020/21
 - An *annex* summarising our governance framework
7. The AGS has been prepared by the Council's Corporate Governance Assurance Group which is responsible for monitoring the Council's governance arrangements during the year. In preparing the AGS, the Group (of key governance officers) had regards to a set of thematic 'lead statements'. These lead statements are produced by service leads describing the governance in place during the 2019/20 year and highlighting areas of focus for 2020/21. The Corporate Governance Assurance Group then monitors these throughout the year and they are reviewed by the Audit Working Group.
 8. This AGS action plan for 2020/21 highlights certain aspects of governance which the Assurance Group consider requires a particular level of focus this year which might not otherwise be apparent from work regularly reported to the Committee. As such, progress reports on these actions will be reported to the Committee through the year. The AGS is therefore a means of giving the Committee, and the public, visibility on those additional areas.
 9. Other governance and audit activity across the Council will be reported to this Committee (and to the Audit Working Group) through the normal work programmes.

Conclusion

10. Based on the position outlined in the AGS, the 'Opinion' expressed in the AGS is:

"It is our opinion that the Council's governance arrangements in 2019/20 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2020/21. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective.

11. The Committee is invited to approve the AGS.

Legal Implications

12. The Accounts and Audit Regulations 2015 require councils to undertake an annual review of their governance. The Regulations require that an Annual Governance Statement, prepared to fulfil this requirement, should form part of the Council's Statement of Accounts. The report is therefore coming to the Committee to meet this purpose and that timescale. A version of the AGS therefore needs to be approved at this meeting.
13. The Regulations also state that the Annual Governance Statement should be prepared in accordance with proper practices. Compliance with the CIPFA guidance (*Delivering Good Governance in Local Government: Framework*

(2016)) fulfils this requirement. I confirm that the Statement put forward with this report is compliant with that guidance/framework and with the updated guidance issues by CIPFA to address the coronavirus outbreak.

STEVE JORDEN
Monitoring Officer

Contact Officer: Glenn Watson, Principal Governance Officer
07776 997946

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Annual Governance Statement 2019/20

INTRODUCTION

1. This is Oxfordshire County Council's Annual Governance Statement for 2019/20. It provides:

- An *opinion* on the Council's governance arrangements from the Council's senior managers and the leader of the Council
- A review of the *effectiveness* of the Council's governance arrangements during 2019/20;
- A *conclusion* in relation to the effectiveness
- A review of the *action plan* from last year's statement
- An *action plan* for 2019/20
- An *annex* summarising our governance framework

The Annual Governance Statement is required by law¹ and follows the best practice guidance from the Chartered Institute of Public Finance and Accounting (CIPFA). This year, the Statement also highlights the governance issues posed by the COVID-19 pandemic.

STATEMENT OF OPINION

2. It is our opinion that the Council's governance arrangements in 2019/20 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2020/21. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective.

SIGNATURES

Signed on behalf of Oxfordshire County Council:

..... Date Date

Yvonne Rees
Chief Executive

Lorna Baxter
Chief Finance Officer

..... Date Date

Councillor Ian Hudspeth
Leader of the Council

Steve Jorden
Monitoring Officer

¹ Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015

REVIEWING OUR EFFECTIVENESS DURING 2019-20

This review looks at:

- Effectiveness of our governance – generally and in relation to COVID-19
- Conclusion about this effectiveness
- Internal Audit function during 2019/20
- Our statutory governance roles
- Review of actions 2019/20
- Actions for 2020/21
- Outline of our governance

Overview

3. We have reviewed our overall effectiveness both in general and with regard to the COVID-19 pandemic

Generally:

4. All action points for 2019/20 were completed as outlined in Annex 1. The progress of them was reported to the Audit and Governance Committee throughout the year.
5. Specific action points for 2020/21 are set out in Annex 2. We think these actions will help to embed some key governance issues arising out of our experience in 2019/20, including the implications of the COVID-19 pandemic. Our experience is also very much allied to that of our partner authority, Cherwell District Council.
6. Here are just some ways in which our governance has proved effective during 2019/20
 - ❖ In partnership with Cherwell District Council, the Council has delivered [a joint senior management structure](#) across both authorities .
 - ❖ The Audit & Governance Committee reviewed that Partnership's governance arrangements at its meeting on 8 May 2019 and was satisfied with their effectiveness.
 - ❖ The council set and operated within a budget that included a modest council tax increase.
 - ❖ Key governance issues were tracked through a set of Corporate Leads reporting into our over-arching 'Corporate Governance Assurance Group' of senior officers; with periodic reports to the council's Audit & Governance Committee,
 - ❖ A mandatory Data Protection e-learning course for staff was launched in year to update knowledge and further embed changes since the General Data Protection Regulations.
 - ❖ The Monitoring Officer reported to Cabinet and to Performance Scrutiny on a [an Ombudsman finding \('a public report'\)](#), with the important recognition from the Ombudsman that the Council had been proactive in learning the appropriate lessons;
 - ❖ The Monitoring Officer provided his [annual report to the Audit & Governance Committee](#) on his view on the Council's governance arrangements. This review

was formally reported to, and endorsed by, the Audit & Governance Committee in September 2019.

- ❖ The Council successfully delivered a County Council by-election for the Wallingford Division in Autumn 2019 with subsequent induction for the elected councillor.
- ❖ The Council recruited additional independent members to its Independent Remuneration Panel on members' allowances, thereby enabling the Panel's views to continue to be sought as necessary.
- ❖ The Council has undertaken a review of its formal complaints handling processes – looking at how we can improve the quality of responses and maximise our learning from customer complaints: this is being implemented.

During COVID-19

7. Common with other authorities, we had to act swiftly to meet the demands of the pandemic. We are confident that we were able to do so without compromising good governance and democratic accountability. Our reaction benefited from:

- Clear leadership structure
- Dedicated Gold and Silver Command structures
- Partnership working with Cherwell District Council
- Risk assessments
- Flexible and reactive approach.
- Regular engagement with the administration and Political Group Leaders so as to aid transparency of actions being taken

Impact

8. Clearly, **democratic decision-making** was not possible for a short period while legislation was passed to enable virtual meetings. In the interim, agendas were reviewed and delegated officer decisions deployed where needed as allowed by the Constitution. A fast-track project soon established viable online decision-making through MS Teams with councillor and officer training.
9. This also included the facility for members of the public to engage in such meetings e.g. for questions and presentation of petitions. A **revised Constitution and protocol** was devised, consistent with our Constitution's key principles of openness, transparency and accountability. The councillor constituency voice was also maintained through the designation of a specific email address for councillors to raise COVID related issues on behalf of their communities.
10. Clearly some services, more reliant on physical space, were also impacted – e.g. the **Registration Service**. The Council reviewed the options in the light of legislation, its business continuity processes and has prioritised the Registration Services in its reopening of County Hall, Oxford, with socially distanced and risk-assessed measures in place. It was part of the Council's learning curve as to just how much Council business could be successfully done remotely, with

secure and effective technology. To that extent, our **business continuity plans** were tested and found largely to be very effective.

Command structure

11. The Council's **Gold and Silver Command** structures have worked fluidly. This snapshot of the structure at Annex 3 demonstrates how the Council has been able not only to keep a grip on the bigger picture but also get into the detail of practical issues ranging from community and voluntary co-ordination, communications and business continuity. Plugging this into the wider **regional structures** (e.g. **Thames Valley Local Resilience Forum**) ensured as great a flow of information/experience as possible. Such partnership working has been key, particularly with District Council colleagues.

Beyond COVID-19

12. In some ways, the Council's reaction to the pandemic has **fast-tracked the development** of key governance issues: the safe and reactive deployment of technology (to enable almost seamless homeworking and virtual meetings); business continuity awareness and practices; working without silos, service-planning becoming more aware the cross-cutting interplay of services; reviewing the portfolio of property; enhanced focus on security, wellbeing and health and safety; greater day to day senior manager co-operation and commitment; and the deepening of the Cherwell District Council/Oxfordshire County Council partnership, with the whole pandemic management being undertaken jointly through the Gold and Silver command structures.
13. **Going forward**, the resource implications of the pandemic will be a challenge for the local government sector. The Council's governance experience of COVID-19, alongside that of its partner, Cherwell District Council, is likely to shape future planning as we manage the delivery of quality services and democracy in the post-COVID world:
- Use of buildings and remote working
 - Business continuity, risk assessment and project planning
 - Fluidity and accountability of decision making
 - Smart use of technology and digital engagement and solutions
 - Financial management
14. The Council has approved (jointly with Cherwell District Council) a robust recovery strategy – "**Restart Recover Renew**". Importantly, this strategy aspires not only to move from recovery to normal business. It also recognises the opportunity to learn from our experience and to transform our services for the better.

Internal audit in 2019/20

15. The 2019 CIPFA Statement on the “Role of the Head of Internal Audit in public service organisations” outlines the principles that define the core activities and behaviours that belong to the role of the ‘Head of Internal Audit’ and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as our Chief Internal Auditor:
- objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control
 - championing best practice in governance and commenting on responses to emerging risks and proposed developments.
 - be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee
 - lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively
 - be professionally qualified and suitably experienced.
16. The Monitoring Officer sought feedback on the quality and effectiveness of the Internal Audit Service from Senior Managers across the council, reporting back to the Audit and Governance Committee in March 2019. The conclusion from the survey was that management find the internal audit service effective in fulfilling its role. The next survey is planned for 2021.
17. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards is completed on an annual basis. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This took place in November 2017 and the results were reported to the Audit & Governance Committee in January 2018. This confirmed that the “service is highly regarded within the Council and provides useful assurance on its underlying systems and processes”.
18. The Chief Internal Auditor prepared an Annual Report on the work of Internal Audit which concludes for the 12 months ended 31 March 2020, there is **satisfactory** assurance regarding Oxfordshire County Council's overall control environment and the arrangements for governance, risk management and control. Where weaknesses have been identified through internal audit review, they have worked with management to agree appropriate corrective action and timescale for improvement.
19. As part of governance arrangements developed when Oxfordshire County Council joined the Hampshire Partnership in July 2015, it was agreed that the Southern Internal Audit Partnership (SIAP) would provide annual assurance to Oxfordshire County Council on the adequacy and effectiveness of the

framework of governance, risk management and control from the work carried out by the partnership, via the Integrated Business Centre (IBC).

20. Due to the onboarding of three new partners, for 2019/20 the assurance arrangements were amended. The Hampshire Partnership/IBC commissioned Ernest and Young (EY) to undertake a Service Organisation Controls review under ISAE 3402. (International Auditing and Assurance Standards Board – which provides a framework for reporting on the design and compliance with control objectives related to financial reporting). The report for 2019/20 concludes that the controls related to the control objectives were suitably designed and operated effectively, with no exceptions noted.
21. Where Internal Audit identifies areas for improvement, management action plans are in place and are routinely monitored by the Internal Audit team and the Audit Working Group. Managers are required to provide positive assurance that actions have been implemented; performance on implementation is high, demonstrating that control weaknesses identified by Internal Audit are being addressed on a timely basis.

Our statutory governance roles

22. The Council is required to appoint to three specific posts, each of which oversees a key aspect of the Council's governance:
- **Head of the Paid Service (HOPS)** role – which is our Chief Executive, Yvonne Rees: how the Council's functions are delivered, the appointment and proper management of staff
 - **Monitoring Officer** – throughout 2019/20 and early 2020/21 this was Nick Graham, Director of Law and Governance: responsible for the Council's Constitution, the lawfulness and integrity of its decision-making and the quality of its ethical governance. With Nick leaving in early June, interim arrangements were put in place to provide cover.
 - **'Section 151 Officer'** – the Chief Finance Officer, throughout 2019/20 has been and remains. Lorna Baxter: responsible for the financial management of the authority.
23. Each of these roles continued to be performed soundly during 2019/20. Each of the postholders is an integral member of the Council's most senior leadership team (CEDR – Chief Executive Direct Reports). As such, they are fully sighted on all of the Council's objectives, workstreams and emerging plans; and their perspectives and voices continue to be heard in, and to influence, this senior forum. This is integral to the Council's good governance.
24. Therefore, while the Chief Finance Officer and Monitoring Officer have not reported directly to the Chief Executive throughout this period, in line management terms (reporting rather to the Corporate Director for Commercial Development, Assets and Investment), their statutory functions continue to be impactful. Both postholders also retain their legal responsibility to report directly to Full Council on any matters that would be of concern to them and have ready access to the Chief Executive at all times.

Governance Actions – Review of 2019/20 and priorities for 2020/21

25. The following two annexes summarise:

Annex 1: updates on the priority actions for 2019/20

Annex 2: actions for 2020/21

26. The Actions in Annex 2 will continue to be monitored by the Corporate Governance Assurance Group, the Audit Working Group and the Audit & Governance Committee. The Actions for 2020/21 highlight certain aspects of emerging governance that might not otherwise be apparent from work regularly reported to the Council's Audit & Committee. As such, progress reports on these actions will be reported to the Committee through the year.

27. Other governance and audit activity across the Council will continue to be reported to [Audit & Governance Committee](#) through its normal work programmes

Governance in Outline

28. Annex 4 sets out the Council's governance framework in outline.

July 2020

ANNEX 1 - SIGNIFICANT GOVERNANCE ISSUES

Actions identified for 2019/20 - Update

29. This is a review of the progress during 2019/20 on the priorities for that year.
The actions identified were completed in-year

Actions that were planned for 2019/20	Original Timescale	Outcome
<p>Property and Security</p> <p>Deliver on the remaining outcomes of the property audit (health and safety), which established the compliance position, post-Carillion: meet the Key Performance Indicators that have been put in place to address all the main compliance areas,</p> <p>Establish greater integration between the property and corporate security functions, at managerial and project level.</p> <p>Achieve and maintain prompt renewals of rentals and leases; together with greater level of reporting on the use of properties.</p>	<p>May 2020</p> <p>March 2020</p> <p>March 2020</p>	<p>Ongoing work with Health and Safety Team to progress and deliver the outstanding actions.</p> <p>As reported to the Audit & Governance Committee in November 2019, the work to develop a Security Strategy and a more Corporate approach to Security delivery is ongoing. In conjunction with Health and Safety, Emergency Planning, the Fire Service, Social Care and Procurement. In support of this, Facilities Management have designed and carried out an initial fact-finding survey of sites Countywide to look at the current Security position and systems. The work of Estates Team function is ongoing and tenure management is being maintained.</p> <p>Achieved, and the work of Estates Team function is ongoing and tenure management is being maintained.</p>

Actions that were planned for 2019/20	Original Timescale	Outcome
<p>Business Continuity</p> <p>Embed sound business continuity framework across the Council to monitor awareness and compliance. In particular to:</p> <ul style="list-style-type: none"> - Increase the evidence base for Business Continuity Plans - Achieve a documented business continuity testing strategy/plan - Implement a testing exercise plan and programme - Identify training needs across the council based on the evidence of testing and plan quality 	<p>March 2020</p> <p>May 2019 – May 2020</p> <p>May 2019</p> <p>May 2019</p>	<p>Achieved.</p> <ul style="list-style-type: none"> □ monthly compliance report which details the plans we actually have with a RAG rating applied. □ reviewed at the monthly Steering group. □ annual testing & exercising programme with the Business Continuity plan owners accountable for testing their plans. □ lessons learned from tests/exercises at steering group meetings and training identified.
<p>ICT and Digital</p> <p>Back Up of data reliability. The system which provides this function is aged and may fail.</p> <p>Replacement of Computer, Storage and backup datacentre provision is a primary action identified as part of the ICT Health Check.</p>	<p>Options and a recommendation expected to be presented to the organisation during April 2019.</p> <p>The re-provision of the Datacentre is expected to be complete in 2019-20</p>	<p>A new backup solution has been commissioned, implemented and was fully operational by the end of December 2019. It has been audited and the final audit report conclusion was Green status. The new primary Datacentre and Disaster Recovery solution are also fully operational. The final phase of the decommissioning of the old infrastructure has been delayed due to COVID19 access restrictions at the site, but the legacy equipment is turned off and redundant</p>

Actions that were planned for 2019/20	Original Timescale	Outcome
<p>Procurement</p> <p>Atamis eCMS Contract Management system is neither fully developed nor fully deployed across the Council.</p> <p>The electronic Contract and Supplier Management System (eCMS) will be reviewed as part of the Provision Cycle transformation programme with the expectation to develop and implement a system that will provide management and controls across the full cycle of Commissioning, Procurement and Contract Management.</p> <p>This will enable a consistent, council-wide approach enabling 100% visibility of requirements</p>	<p>The development will be iterative and ongoing but target to implement by Dec 19</p>	<p>Developments and improvements have been made but the delayed PC transformation has had an impact on the full rollout across the Council.</p> <p>The Programme Module has been fully implemented to automate the forward procurement pipeline and is now moved to business as usual</p> <p>Work has been completed in terms of spend categorisation for significant providers e.g. £100k upwards and circa 700 providers</p> <p>Contract Information has improved in quality and provides a quarterly extract that is published on the external website as its Contract Register</p> <p>The flexibility of the Atamis product and our existing OCC commercial arrangements for licencing of the Electronic Contract Management Tool (ECMS) has allowed the Cherwell DC data to be included.</p> <p>The reporting tools will allow the shared OCC/CDC procurement teams to take a more holistic approach for supplier spend and category management.</p>

ANNEX 2 - SIGNIFICANT GOVERNANCE ISSUES

Actions identified for 2020/21

	Action now planned for 2020/21	Timescale for Completion	Responsible Officer	Monitoring Body
1	Develop a Security Strategy: <ul style="list-style-type: none"> to reflect a more corporate approach to security delivery, and harnessing the connected perspectives of Health and Safety, Emergency Planning, the Fire Service, Social Care and Procurement. 	March 2021	George Eleftheriou, Director of Property Investment and Community Facilities Management	Corporate Governance Assurance Group

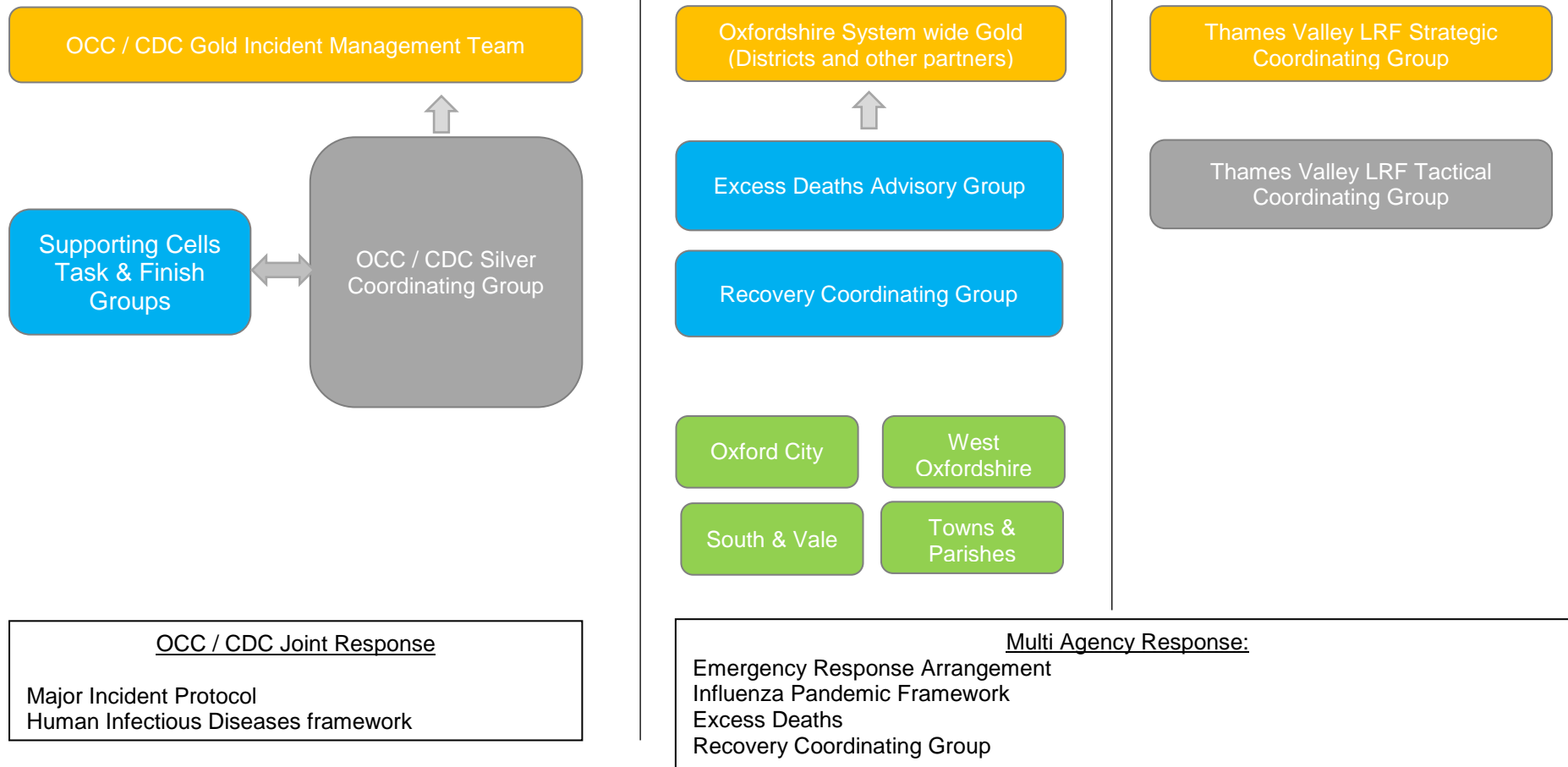
	Action now planned for 2020/21	Timescale for Completion	Responsible Officer	Monitoring Body
2	<p>Alignment of Annual Governance Statement preparation – Oxfordshire CC and Cherwell District Council:</p> <ul style="list-style-type: none"> • achieving a more streamlined approach to AGS preparation across both authorities which... • engaging senior managers and is clearly aligned to corporate objectives • achieving revised and more meaningful <i>Directors Certificate of Assurance</i> process • building on current engagement with the Audit Working Group and its parent Audit & Governance Committee • establishing a joint Corporate Governance Assurance Group of key governance officers with a view across both authorities • becoming a 'living, year-round activity' not simply one about producing a 'document' • review of the current arrangement of 'lead statements' and establishing a corporate governance lead for Property-Security • establishes a relevant <i>Local Codes of Corporate Governance</i> which better reflects the Councils' current work 	<p>June – September 2020</p> <p>June-July 2020</p> <p>Ongoing</p> <p>June 2020</p> <p>Completed June 2020</p> <p>Ongoing</p> <p>September 2020</p> <p>September 2020</p>	Glenn Watson Principal Governance Officer	Corporate Governance Assurance Group

	Action now planned for 2020/21	Timescale for Completion	Responsible Officer	Monitoring Body
3.	<p>Review of post-COVID governance arrangements:</p> <ul style="list-style-type: none"> • Corporate Governance Assurance Group to keep under review the Council's governance as we emerge from COVID including • Linkage to any ongoing Gold-Silver command activity/experience • Lessons for key governance activities across the Corporate Lead areas – e.g. business continuity, risk, procurement, democratic decision making, ICT security, health and safety and property management; financial management. 	Ongoing June 2020– March 2021 (core agenda item)	Monitoring Officer	Corporate Governance Assurance Group

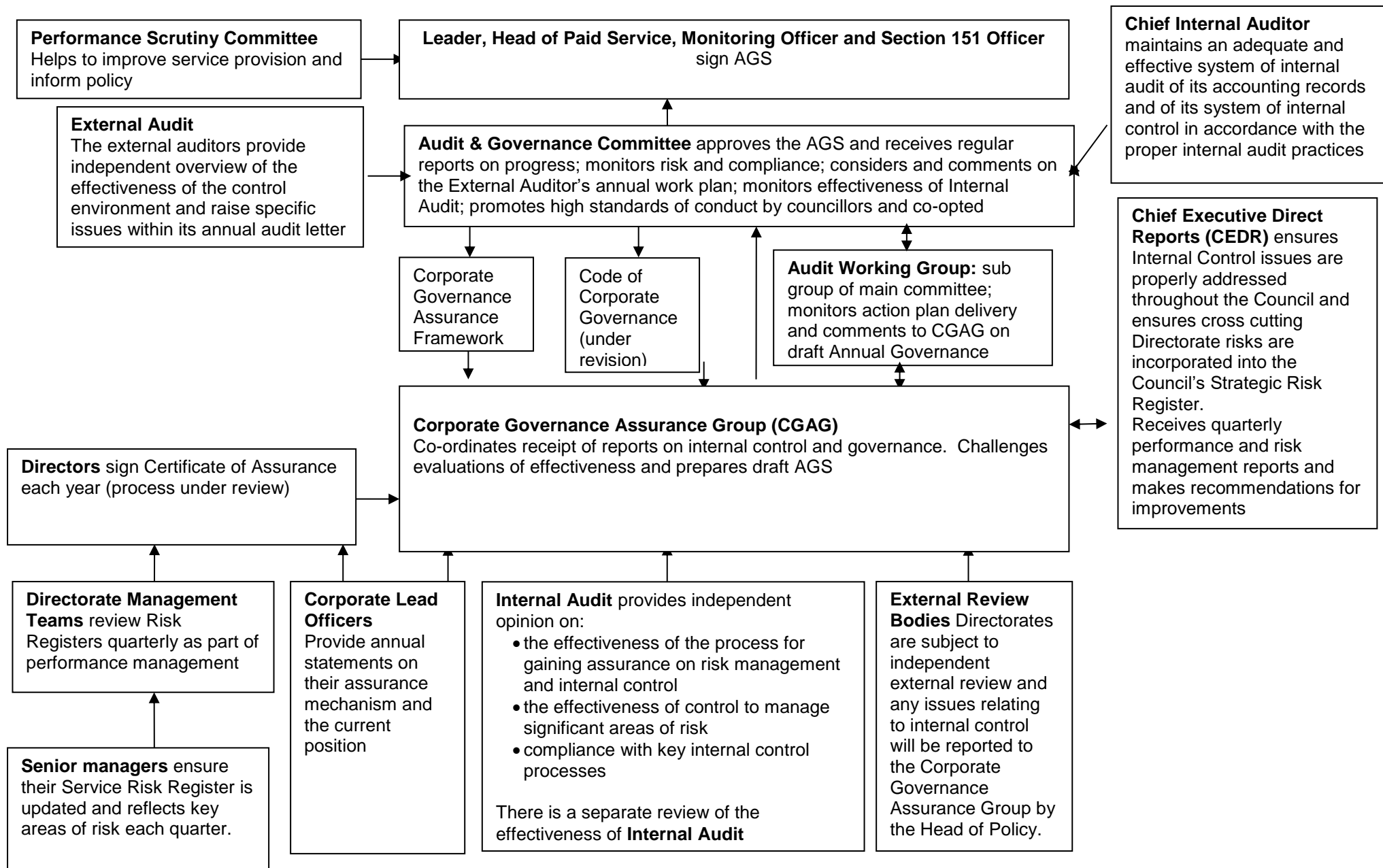
Annex 3 – COVID-19 Command and Control Structure

Command & Control Structure (Multi – Agency)

Page 138



Annex 4 Overview of Corporate Governance Assurance Framework



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Division(s):

AUDIT & GOVERNANCE COMMITTEE - 22 July 2020

MODEL CODE OF MEMBER CONDUCT - CONSULTATION

Report by the Monitoring Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to:**
 - (a) Consider the Local Government Association's potential Model Code of Member Conduct;
 - (b) Determine if the Committee wishes to respond to the 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.

Introduction

2. The Local Government Association (LGA) is consulting nationally on a Model Code of Member Conduct. The LGA drafted the Code in response to a call to do so from the Committee on Standards in Public Life (CSPL). The consultation also links to the LGA's own programme to promote 'Civility in Public Life'.
3. The Committee's role includes ethical governance for the Council including member conduct. The Committee is invited to consider responding to the consultation on behalf of the Council.
4. This report outlines the extent of the consultation and the Council's own recent comments on member ethical governance. It also suggests how the Committee might wish to formulate comments ahead of the consultation deadline of 14 August 2020.
5. It is important to note that this is a consultation about the potential content of a national Model Code of Member Conduct. The Committee is not currently being asked to adopt any new Code for this Council. That may well follow once a Model Code has been published.

Background to the Potential Model Code of Member Conduct

6. In 2018, the CSPL undertook a survey of the ethical governance framework for members in local government. Its report was published in January 2019.

7. The CSPL concluded that a model code of conduct should be created for English authorities across all tiers. It felt that such a model code should better reflect the importance of good behaviours in countering bullying and intimidation, as well as in promoting responsible use of social media. It also advocated a presumption that members should always be regarded acting in their official capacity when conducting themselves in public. The CSPL recommended that the LGA should be invited to create such a Model Code of Member Conduct following consultation.
8. The LGA has produced a draft Model Code of Conduct in response to this call. It has also been carrying out its own programme of activity under the title '[Civility in Public Life](#)'. This programme aims to improve the "standard of public...and political discourse...and behaviour in public office".

County Council's previous comments on member ethical governance

Code comments:

9. In 2018, the Council formally responded to the CSPL's review of ethical standards. This Committee led that response. A small, cross-party group of members came together to consider the consultation and responded via the Monitoring Officer. A [report was produced](#) by the group, summarising that response.
10. In that report, the Council made some comments about Code of Conduct matters. Members said:

"Consideration should be given to creating a model code which refers not just to 'bullying' in general but to other specific ethical areas such as abuse, exploitation, sexual harassment and discrimination. Greater clarity on what can constitute unacceptable behaviour would benefit councillors as well as complainants. In addition, it would be helpful to provide guidance on protocols for dealing with complaints under each of those areas."
11. The Committee may want to bear these comments in mind in reviewing the Model Code. Paragraphs 14-18 summarise the key content.

Commitment to inclusive public debate

12. In December 2017, Full Council agreed a statement setting out a commitment to respectful public debate: "We...pledge that as elected members and representatives of our political parties we will:
 - not ourselves misuse social media;
 - seek out and stop any personal attacks by our own political parties, the elected members of our parties, paid up members and activists of our political parties; and
 - show due respect to the people we represent and to our elected colleagues."

Proposed Model Code of Member Conduct – purpose and content

13. The draft Model Code is included at Annex 1. The LGA will offer the finalised Model as a template for councils to adopt in whole or with local amendments. It has been designed to “protect our democratic role, encourage good conduct and safeguard the public’s trust in local government.”

14. Its purpose is:

“To assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.”

15. The key content is:

- a new set of ‘principles’ which members/co-opted members would follow
- the headline principle being ‘civility’
- higher profile for non-disclosable pecuniary interests
- slightly more stringent sanctions
- implication that the registration of gifts and hospitality shall be formally recorded (currently for this Council, among others, it’s voluntary)

16. The new principles in the draft Model Code are as follows (expanded upon in the Model). It is implied that these principles should be followed and complaints that a member has breached the Code could be alleged against these headings.

Principles Under Draft Model Code	
Civility	treating councillors, officers and the public with ‘civility’
Bullying and harassment	not bullying any person
Impartiality of officers	not compromising officer impartiality
Confidentiality and access to info	respecting the former, not preventing the latter
Disrepute	not bringing the role and council into disrepute
Your position	not using it for improper advantage of self or anyone else
Use of resources	not misusing council resources
Interests	registering and declaring
Gifts and hospitality:	not accepting or seeking; registering offers of £25 or over

17. Currently, the County, District and Parish Councils across Oxfordshire have each adopted a Code based on a local Oxfordshire model. It is the aspiration of the Model Code that such an arrangement would continue.

Brief analysis of the Model Code of Member Conduct

18. The 'principles' of the Model Code are effectively a merger of two strands of the current code: its principles and its 'obligations'. The Model Code effectively amplifies these rather than adding any significant change – except in one key respect.
19. The draft Model Code introduces the principle of Civility. However, it is rather ill-defined. It may be difficult therefore for the public, members and officers to understand where the boundaries lie between robust public debate and civility. It would not afford clarity for members in what the principle envisages in practice, nor for the public who may wish to challenge members on their conduct by means of a complaint.
20. The LGA's consultation is set out in Annex 2. The consultation specifically asks, for example, whether this definition is helpful and sufficiently clear. Given this Council's wish in paragraph 9 above, for a model code with clear examples, reviewing the Model with an eye to its practical usefulness will be important.
21. The Model would effectively require the registration of gifts and hospitality. It would not however go as far as this Council wished in terms of sanctions for breaches of the Code. For example, this Council had wished to see a read-across from one authority to another; that is, that a sanction applied by one council should apply to the member in another council, if a member serves on both.

Way forward

22. If the Committee is minded to make comments in response to the Model Code, it may not be practical to do this in a whole Committee setting. The deadline for comments (14 August) might also make this impractical. So, the Committee may wish to set up a cross-party 'task and finish group' to make comments which the Monitoring Officer can send on behalf of the Council. This is how the Committee responded previously to the CSPL. The recommendation also invites the Committee to endorse the sharing of respective views between Oxfordshire's principal authorities and parish councils, via the Monitoring Officers.

Legal, financial and other procedural implications

23. This report raises no direct legal, financial or other implications. Each Council is required to adopt a Code of Conduct for Members. Oxfordshire County Council has done this. Responding to this consultation now does not alter the currently adopted Code and does not commit the Council to any line of action.

There will be a further opportunity for the Committee to consider a finalised Model Code and whether to recommend Council to revise its own accordingly.

STEVE JORDEN
Monitoring Officer

Contact: Glenn Watson, Principal Governance Officer, 07776 997946
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Local Government Association Model Member Code of Conduct

Introduction

The Local Government Association (LGA) is providing this Model Member Code of Conduct as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

The role of councillor in all tiers of local government is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate with. We want to continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.

All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed in consultation with the sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code, whilst the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

As a councillor we all represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent everyone (in our ward/town/parish), taking decisions fairly, openly, transparently and with civility. Councillors should also be treated with civility by members of the public, other councillors and council employees. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations. This Code, therefore, has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.



Councillor Izzi Seccombe OBE
Leader, LGA Conservative Group



Councillor Nick Forbes CBE
Leader, LGA Labour Group



Councillor Howard Sykes MBE
Leader, LGA Liberal Democrats Group



Councillor Marianne Overton MBE
Leader, LGA independent Group

Purpose

The purpose of this Code of Conduct is to assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.

Application of the Code

The Code of Conduct applies to you when you are acting [or claiming or giving the impression that you are acting]¹ in [public or in]² your capacity as a member or representative of your council, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and via social media, [including where you could be deemed to be representing your council or if there are potential implications for the council's reputation.] Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

The seven principles of public life

Everyone in public office at all levels – ministers, civil servants, members, council officers – all who serve the public or deliver public services should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

Model member conduct

In accordance with the public trust placed in me, on all occasions I will:

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of councillor

In undertaking my role, I will:

- impartially exercise my responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently and in the public interest

Specific obligations of general conduct

This section sets out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act [or claim or give the impression that you are acting] as a councillor [or in public], including representing your council on official business and when using social media.

Civility

- 1. Treating other councillors and members of the public with civility.**
- 2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.**

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police. This also applies to members, where action could then be taken under the Member Code of Conduct.

Bullying and harassment

- 3. Not bullying or harassing any person.**

Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.

The Equality Act 2010 defines harassment as 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

Impartiality of officers of the council

- 4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.**

Officers work for the council as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

Confidentiality and access to information

- 5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.**
- 6. Not preventing anyone getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and

printed materials are open to the public except in certain circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the council are treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

Disrepute

7. Not bringing my role or council into disrepute.

Behaviour that is considered dishonest and/or deceitful can bring your council into disrepute. As a member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other councillors and/or your council.

Your position

8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

Use of council resources and facilities

9. Not misusing council resources.

You may be provided with resources and facilities by the council to assist you in carrying out your duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given

to you to help you carry out your role as a councillor more effectively and not to benefit you personally.

Interests

10. Registering and declaring my interests.

You need to register your interests so that the public, council employees and fellow members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer/Town or Parish Clerk and more detail is set out in appendix B.

Gifts and hospitality

11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.

12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you

because you are a member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you think may have been offered to influence you.

Note – items in square brackets [x] refer to recommendations made by the Committee on Standards in Public Life and may be part of a future Government consultation. This includes possible future sanctions and appeals processes.

Breaches of the Code of Conduct

Most councillors conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. Each local authority must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any councillors who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence.

Political parties may have its own internal standards and resolution procedures in addition to the Member Code of Conduct that members should be aware of.

Example

LGA guidance and recommendations

Internal resolution procedure

Councils must have in place an internal resolution procedure to address conduct that is in breach of the Member Code of Conduct. The internal resolution process should make it clear how allegations of breaches of the Code of Conduct are to be handled, including the role of an Independent Person, the appeals process and can also include a local standards committee. The internal resolution procedure should be proportionate, allow for members to appeal allegations and decisions, and allow for an escalating scale of intervention. The procedure should be voted on by the council as a whole.

In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken.

If the breach is confirmed and of a serious nature, action can be automatically escalated.

1. an informal discussion with the monitoring officer or appropriate senior officer
2. an informal opportunity to speak with the affected party/ies
3. a written apology
4. mediation
5. peer support
6. requirement to attend relevant training
7. where of a serious nature, a bar on chairing advisory or special committees for up to two months
8. where of a serious nature, a bar on attending committees for up to two months.

Where serious misconduct affects an employee, a member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.

Endnotes

1. CSPL recommend that “Section 27(2) of the Localism Act 2011 should be amended to state that a local authority’s code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority”.
2. CSPL recommend that “councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.”
3. Subject to footnotes 1 and 2 above
4. See CSPL website for further details www.gov.uk/government/news/the-principles-of-public-life-25-years
5. ACAS’s definition of bullying

Appendices

Code Appendix A

The principles are :

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Code Appendix B

Registering interests

1. Within 28 days of this Code of Conduct being adopted by the council or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).
2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.

Declaring interests

3. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
4. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
6. Where a matter arises at a meeting which affects –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a friend, relative, close associate; or
 - c. a body covered by table 1 below

you must disclose the interest.

7. Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992 .
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. ‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor’s knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

*'director' includes a member of the committee of management of an industrial and provident society.

*'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable Interests

Any Body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;	
Any Body—	(a) exercising functions of a public nature;
	(b) directed to charitable purposes; or
	(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)
of which you are a member or in a position of general control or management.	



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We consider requests on an individual basis.

Q1. To what extent do you support the proposal that councillors demonstrate the behaviours set out in the Code when they are publicly acting as, identifying as, and/or giving the impression that they are acting as a councillor, including when representing their council on official business and when using social media?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q1a. If you would like to elaborate on your answer please do so here:

Q2. Is it sufficiently clear which parts of the Model Code are legal requirements, which are obligations, and which are guidance?

- ☐ Yes
- ☐ No
- ☐ Don't know

Q3. Do you prefer the use of the personal tense, as used in the Code, or would you prefer the passive tense?

- ☐ Personal tense (“I will”)
- ☐ Passive tense (“Councillors should”)
- ☐ No preference

Specific obligations

The Code lists 12 specific obligations – these set out a minimum standard councillors are asked to adhere to.

Each obligation or group of obligations is put into a wider context to explain why that particular obligation is important.

Q4. To what extent do you support the 12 specific obligations?

Q4. To what extent do you support the 12 specific obligations?

- | | To a great extent | To a moderate extent | To a small extent | Not at all | Don't know / Prefer not to say |
|-------------------|----------------------------|----------------------------|----------------------------|----------------------------------|--------------------------------|
| 1. Treating other | <input type="radio"/> To a | <input type="radio"/> To a | <input type="radio"/> To a | <input type="radio"/> Not at all | <input type="radio"/> Don't |

Q4. To what extent to you support the 12 specific obligations?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
councillors and members of the public with civility.	great extent	moderate extent	small extent		know / Prefer not to say
2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
3. Not bullying or harassing any person.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
6. Not preventing anyone getting information that they are entitled to by law.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say

Q4. To what extent to you support the 12 specific obligations?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
7. Not bringing my role or council into disrepute.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
9. Not misusing council resources.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
10. Registering and declaring my interests.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say

Q5. If you would like to propose additional or alternative obligations, or would like to provide more comment on a specific obligation, please do so here:

Q6. Would you prefer to see the obligations as a long list followed by the guidance, or as it is set out in the current draft, with the guidance after each obligation?

- ☐ As a list
- ☐ Each specific obligation followed by its relevant guidance
- ☐ No preference

Q7. To what extent to you think the concept of ‘acting with civility’ is sufficiently clear?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q7a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:



Q8. To what extent do you think the concept of ‘bringing the council into disrepute’ is sufficiently clear?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q8a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:



Q9. To what extent do you support the definition of bullying and harassment used in the code in a local government context?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q9a. If there are other definitions you would like to recommend, please provide them here.

Q10. Is there sufficient reference to the use of social media?

- ☐ Yes
- ☐ No
- ☐ Don't know/prefer not to say

Q10a. Should social media be covered in a separate code or integrated into the overall code of conduct?

- ☐ Separate code
- ☐ Integrated into the code
- ☐ Don't know/prefer not to say

Q10b. If you would like to make any comments or suggestions in relation to how the use of social media is covered in the code please do so here:

Registration and declarations of interests

The law at present requires, as a minimum, registration and declaration of 'Disclosable Pecuniary Interests' - that is matters which directly relate to the councillor and their partner if applicable.

The LGA is proposing that all councillors are required to declare interests where matters also relate to or affect other family members or associates. The LGA has broadened the requirement to declare interests beyond this current statutory minimum in line with a

recommendation from the Committee on Standards in Public Life. These specific provisions are set out in **Appendix B** of the Code.

Q11. To what extent to you support the code going beyond the current requirement to declare interests of the councillor and their partner?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q11a. If you would like to elaborate on your answer please do so here:

Q12. Should the requirement to declare interests be in the main body of the code or in the appendix where the draft model code currently references it?

- ☐ In the main body of the code
- ☐ In the appendix
- ☐ Other (please specify below)

Q12a. If you would like to make any comments or suggestions in relation to how the requirement to declare interests is covered in the code please do so here:

•

It is also suggested that more outside interests should be registered than is the current statutory minimum. These are set out in **Table 2 of the Appendix** and are designed to demonstrate to the community transparency about other bodies with which the councillor is engaged.

Q13. To what extent do you support the inclusion of these additional categories for registration?

- Q13. To what extent do you support the inclusion of these additional categories for registration?**
- | | To a great extent | To a moderate extent | To a small extent | Not at all | Don't know / Prefer not to say |
|-------------------|----------------------------|----------------------------|----------------------------|----------------------------------|--------------------------------|
| Any organisation, | <input type="radio"/> To a | <input type="radio"/> To a | <input type="radio"/> To a | <input type="radio"/> Not at all | <input type="radio"/> Don't |

Q13. To what extent do you support the inclusion of these additional categories for registration?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
association, society or party of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council	<input type="radio"/> great extent	<input type="radio"/> moderate extent	<input type="radio"/> small extent	<input type="radio"/>	<input type="radio"/> know / Prefer not to say

Any organisation, association, society or party that exercises functions of a public nature of which you are a member or in a position of general control or management	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
--	---	--	---	----------------------------------	--

Any organisation, association, society or party directed to charitable purposes	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
--	---	--	---	----------------------------------	--

Any organisation, association, society or party of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)	<input type="radio"/> To a great extent	<input type="radio"/> To a moderate extent	<input type="radio"/> To a small extent	<input type="radio"/> Not at all	<input type="radio"/> Don't know / Prefer not to say
--	---	--	---	----------------------------------	--

Q13a. If you would like to propose additional or alternative categories for registration, please provide them here:

Q14. To what extent to you support the proposed requirement that councillors do not accept significant gifts as set out in Obligation 11?

- ☐ To a great extent
- ☐ To a moderate extent
- ☐ To a small extent
- ☐ Not at all
- ☐ Don't know/prefer not to say

Q14a. If you would like to elaborate on your answer please do so here:

Q15. The draft code proposes £25 as the threshold for registering gifts and hospitality. Is this an appropriate threshold?

- ☐ Yes
- ☐ Yes, but the amount should be reviewed annually with the code's review
- ☐ No, it should be lower (please specify amount)
- ☐ No, it should be higher (please specify amount)
- ☐ Don't know/prefer not to say

Q16. The LGA will be producing accompanying guidance to the code. Which of the following types of guidance would you find most useful? Please rank 1-5, with 1 being the most useful.

- Regularly updated examples of case law
- Explanatory guidance on the code
- Case studies and examples of good practice
- Supplementary guidance that focuses on specific areas, e.g., social media
- Improvement support materials, such as training and e-learning packages

Q16a. If you would like to suggest any other accompanying guidance please do so here:

Q17. If you would like to make any further comments about the code please do so here:

ITEM 10

AUDIT and GOVERNANCE COMMITTEE – 22 JULY 2020

INTERNAL AUDIT CHARTER

Report by the Director of Finance

RECOMMENDATION

1. The committee is RECOMMENDED to:
 - a) **Approve the Internal Audit Charter.**
 - b) **Note the Quality Assurance and Improvement Programme.**

Executive Summary

2. This report presents both the Internal Audit Charter and the Quality Assurance and Improvement Programme for 2020/21. These are subject to annual review.

Internal Audit Charter

1. The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These are the first Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority. The Oxfordshire County Council Internal Audit Charter is included within Appendix 1.
2. The Charter sets out the purpose, authority and responsibility of Oxfordshire County Council's Internal Audit function, in accordance with the PSIAS. The Charter establishes the position of Internal Audit within the organisation, access and reporting requirements. It also outlines the key responsibilities of the Audit & Governance Committee.
3. This Internal Audit Charter is subject to approval by the Audit & Governance Committee of Oxfordshire County Council on an annual basis, in line with PSIAS requirements. (This was last approved by the Committee July 2019)

Quality Assurance Improvement Programme (QAIP)

4. The PSIAS require that the internal audit activity maintain a Quality Assurance and Improvement Programme (QAIP). This is included within Appendix 2.
5. The Chief Internal Auditor is required to communicate to senior management and the Audit & Governance Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. The QAIP details what will be reported to the Audit & Governance Committee and the frequency.

PSIAS – Self Assessment / External Assessment Update

6. Internal Audit received a CIPFA external assessment against the Public Sector Internal Audit Standards (PSIAS) during November 2017. This was reported to the Committee in January 2018. The assessment outcome was very positive with only a small number of minor improvements to documentation required and an overall conclusion that the service is highly regarded within the Council.
7. There is a requirement for an annual self-assessment against PSIAS to be completed (with external assessment scheduled every 5 years). The self-assessment was completed during June 2020 and it can be confirmed that Internal Audit continues to comply in full, with the standards.

Lorna Baxter
Director of Finance

Contact: Officer: Sarah Cox, Chief Internal Auditor
07393 001246 sarah.cox@oxfordshire.gov.uk

Oxfordshire County Council Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These are the first Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority.

The Standards form part of the wider mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) which includes the mission, core principles, definition of Internal Audit and Code of Ethics.

This Charter sets out the purpose, authority and responsibility of Oxfordshire County Council's Internal Audit function, in accordance with the PSIAS and additional requirements for Local Government which are published via the Chartered Institute of Public Finance and Accountancy (CIPFA)

This Internal Audit Charter has been drawn up in line with the PSIAS requirements and replaces all previous Internal Audit Terms of Reference.

This Internal Audit Charter is subject to approval by the Audit & Governance Committee of Oxfordshire County Council on an annual basis, in line with PSIAS requirements.

Definition of Internal Audit

Oxfordshire County Council has adopted the PSIAS definition of internal auditing as follows:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

Mission of Internal Audit

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Core Principles

To achieve Internal Audit's mission the following core principles for the professional practice of Internal Auditing are present and applied by Internal Audit:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of Oxfordshire County Council.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

Code of Ethics

Oxfordshire County Council Internal Audit has adopted the PSIAS Code of Ethics:

Integrity

- The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement

Objectivity

- Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Confidentiality

- Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal obligation to do so.

Competency

- Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Internal Audit will also have a regard to the Committee on Standards of Public Life's Seven Principles of Public Life as contained within Cherwell District Councils Constitution and Officer's Code of Conduct

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Statutory Requirement

Section 151 of the Local Government Act 1972 requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs." In Oxfordshire County Council, that officer is the Director of Finance.

Specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Any officer or member of a relevant body must, if the body requires:

- a. make available such documents and records as appear to that body to be necessary for the purposes of the audit; and

- b. supply the body with such information and explanation as that body considers necessary for that purpose.

In accordance with these regulations, internal audit staff should have access to any financial or non-financial records maintained by the council, or its partners in delivering council services, that are relevant to the audit activity being performed.

Definition of the Chief Audit Executive (CAE)

Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. Within Oxfordshire County Council the Chief Internal Auditor is the designated 'Chief Audit Executive'

Definition of the Board

The PSIAS lays out the role of a Board in relation to specific standards. In a local authority the role of the Board may be satisfied by an Audit Committee. In Oxfordshire Council the Audit & Governance Committee, for the purposes of the key duties laid out in the PSIAS, is the Board.

The key duties of the Board (Audit & Governance Committee) as laid out in the PSIAS are as follows:

- Approve the Internal Audit charter
- Receive the risk based Internal Audit plan including the Internal Audit resource plan
- Receive communications from the Chief Internal Auditor on internal audit's performance relative to its plan and other matters
- Receive an annual confirmation from the Chief Internal Auditor with regard to the organisational independence of the internal audit activity
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor.
- Make appropriate enquiries of the management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.

Definition of Senior Management

The PSIAS anticipates the role of Senior Management includes the following:

- Input to the risk based Internal Audit plan
- Receive periodic reports from the Chief Internal Auditor on internal audit activity, that includes follow up reports

- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor

Within Oxfordshire Council 'Senior Management' is defined as the Section 151 Officer (Director of Finance)

Professionalism

Oxfordshire County Council Internal Audit will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

Oxfordshire County Council Internal Audit maintains an Audit Procedures Manual which is consistent with PSIAS requirements. These procedures are applied for all audit engagements.

Authority

Oxfordshire County Council Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to, and communicate and interact directly with, the Audit & Governance Committee.

Organisation

The Chief Internal Auditor will report functionally to the Audit & Governance Committee, for example approving the charter and internal audit plan, and administratively to the Director of Finance & Assistant Director of Finance, such as approving the internal audit activity's HR administration and budgets.

The Chief Internal Auditor will communicate and interact directly with the Audit & Governance Committee, including in executive sessions and between meetings as appropriate.

Independence and objectivity

The internal audit activity within Oxfordshire County Council will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited within Oxfordshire County Council. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal Audit will ensure through the planning and resourcing process that any potential conflicts of interest are recognised and addressed through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles and/or undertaken consulting activity and that responsibilities for audit assignments are rotated periodically within the internal audit team.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal auditors will disclose any impairment of independence or objectivity, in fact or appearance, to the appropriate parties.

The Chief Internal Auditor will confirm to the Audit & Governance Committee, at least annually, the organisational independence of the internal audit activity.

The Chief Internal Auditor will disclose to the Audit & Governance Committee any interference and related implications in determining the scope of internal auditing, performing work, and communicating results.

Responsibility- Scope & Objectives

Internal audit is an assurance service that provides an independent and objective opinion to the council on the entire control environment comprising risk management, performance, control and governance by evaluating the effectiveness in achieving the organisation's objectives. Internal Audit objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit Services is accountable to the Director of Finance (Section 151 Officer) for the terms of reference, scope and coverage of its audit activities. In addition there is a responsibility to those charged with corporate governance being the council (through the Audit & Governance Committee and Audit Working Group) and the Head of Paid Service to give an annual opinion on the whole system of internal control and to support the Monitoring Officer in respect of matters of standards/ legality.

The council's external auditor relies on Internal Audit to undertake a continuous programme of audits of key corporate controls. Also, due priority needs to be given to the key strategic risks of the council including the requirements of the Section 151 Officer. Audit work is included to ensure an opinion can be given on the whole of the control environment. These priorities constitute most of the Annual Plan the balance being risks identified by Internal Audit. The Chief Internal Auditor collates an annual report on the effectiveness of the council's internal control environment.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit & Governance Committee or management, as appropriate.

Based on its activity, Internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit & Governance Committee and to Senior Management, including fraud risks, governance issues, and other matters needed or requested.

Internal audit plan

At least annually, the Chief Internal Auditor will submit to the Audit and Governance Committee an internal audit plan for review and approval. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to senior management and the Audit & Governance Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management, including the Chief Executive, Director of Finance, Directors, Deputy Directors and Finance Business Partners. It will be developed in accordance with the Internal Audit Charter and will link to the strategic objectives and priorities of Oxfordshire County Council. Prior to submission to the Audit & Governance Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

The audit plan is dynamic in nature and will be reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. It will be based on a risk assessment that covers financial materiality and business risks as well as any suspected or detected fraud, corruption or impropriety that has come to the attention of the Chief Internal Auditor.

Internal Audit will consult with the Council's external auditor and with other relevant inspection/assurance and review bodies, as required, in order to co-ordinate effort, ensure adequate coverage and minimise any duplication.

As part of the planning process, the Chief Internal Auditor will identify other potential sources of assurance and will include in the risk based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

For each audit assignment, Internal Auditors will develop and document a plan including the objectives of the review, the scope, and timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with the auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes.

Reporting and monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit & Governance Committee. The internal audit report will include an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and management actions agreed for the weaknesses identified, along with timescales for implementation. The final report will be issued to the relevant Director, Director of Finance and other officers in line with directorate protocols.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and monitoring and reporting on the implementation of management actions.

Arrangements for appropriate resourcing

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. All Internal Auditors will hold a professional qualification or be training towards a professional qualification.

In the event that the risk assessment, carried out to prepare the annual plan, identifies a need for more audit work than there are resources available, the Chief Internal Auditor will identify the shortfall and advise the Director of Finance followed

by the Audit & Governance Committee as required to assess the associated risks or to recommend additional resources are identified.

The audit plan will remain flexible to address unplanned work including responding to specific control issues highlighted by senior management during the year.

Internal audit work is prioritised according to risk, through the judgement of the Chief Internal Auditor, informed by the Council's risk registers and in consultation with senior management and External Audit.

All internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This is fulfilled through the requirements set by professional bodies and through the Council's appraisal and development programme.

Fraud and Corruption

The County Council is one of the largest business organisations in Oxfordshire. In administering its responsibilities; the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective Anti-Fraud and Corruption culture, Internal Audit fully considers the risk of fraud and corruption when undertaking its activities by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.

The Council's Anti-Fraud and Corruption Strategy, sets out responsibilities in this area.

Internal Audit within Oxfordshire County Council is responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence. Internal Audit maintains the fraud log for Oxfordshire County Council. Internal Audit undertakes investigations into potential financial irregularities. In some circumstances this may be delegated to the service itself following an assessment of risk and financial impact.

Internal Audit also facilitates Oxfordshire County Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

Definition of Assurance Services

The PSIAS defines assurance services as follows: *"An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation."*

Internal Audit provide this assurance across all parts of the Council reviewing the Council's "control environment" comprising risk management, control and governance, this enables the Chief Internal Auditor to provide an annual opinion on the effectiveness of these arrangements. This opinion supports the Council's Annual Governance Statement.

Definition of Consulting Services

The PSIAS defines consulting services as follows: *"Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training."*

The PSIAS requires that approval must be sought from the Audit & Governance Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement. Within Oxfordshire County Council significant is defined as any single assignment equivalent to 5% of annual planned days; these will be brought to the Audit & Governance Committee for approval.

Quality assurance and improvement programme

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity and evaluates the activity's conformance with the Standards and application of the Code of Ethics. As such, the programme assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Internal Auditor will communicate to senior management and the Audit & Governance Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. Disclosure will include:

- The scope and frequency of both internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

The results of the quality assurance and improvement programme and progress against any improvement plans must also be included in the annual report.

Signed by:

Sarah Cox, Chief Internal Auditor

Lorna Baxter, Director of Finance

Councilor Nick Carter, Chairman of the Audit & Governance Committee

Date approved: 22 July 2020 (Audit & Governance Committee)

Date of next review: July 2021

Oxfordshire County Council Internal Audit - Quality Assurance and Improvement Programme

Introduction

Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of Oxfordshire County Council Internal Audit Service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving the service it provides.
- The Chief Internal Auditor is ultimately responsible for maintaining the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

Internal Assessments

Internal Assessment is made up of both ongoing reviews and periodic reviews.

Ongoing Reviews

Ongoing assessments are conducted through:

- Supervision of audit engagements
- Regular, documented review of work papers during engagements by appropriate Internal Audit staff
- Applying relevant audit policies and procedures, including those set out in the Oxfordshire County Council Internal Audit Manual, to ensure applicable audit planning, fieldwork and reporting quality standards are met
- Review of all audit reports and agreed management actions by the Chief Internal Auditor prior to formal circulation.

- Feedback from Customer Satisfaction Questionnaires (CSQs) on individual audit assignments
- Established key performance indicators (KPIs) designed to improve Internal Audit's effectiveness and efficiency. These are signed off each year by the Audit & Governance Committee.
- Corporate performance monitoring
- In assigning audit work to an individual auditor consideration is given to their level of skills, experience and competence and an appropriate level of supervision exercised
- Feedback from CSQs, performance against KPIs and reviews of working papers and audit reports will form part of the discussion during regular meetings / 12:3:2 appraisal/121 discussions.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Chief Internal Auditor / Audit Manager file reviews to ensure performance in accordance with Internal Audit's Quality Procedures Manual.
- Review of internal audit Key Performance Indicators by the Chief Internal Auditor on a monthly basis, including elapsed time between start of audit and exit meeting, elapsed time between exit meeting and issue of draft report, elapsed time between issue of draft report and issue of final report, % of planned activity completed and % of management actions implemented.
- Quarterly activity and performance reporting to the Audit and Governance Committee and Section 151 officer.
- Annual self-review of conformance with the Public Sector Internal Audit Standards. Any resultant action plans will be monitored by the Chief Internal Auditor on a quarterly basis.
- Independent annual review of the effectiveness of Internal Audit by the Council's Monitoring Officer, with results reported to and reviewed by the Audit and Governance Committee.

External Assessment

External assessments will appraise and express an opinion about Internal Audit's conformance with the Standards, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment will be discussed with the Audit & Governance Committee.

Reporting

Internal Assessments – Quarterly activity and performance reporting to the Audit and Governance Committee and Section 151 officer.

External Assessments – results of external assessments will be reported to the Audit & Governance Committee and Section 151 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow Up - the Chief Internal Auditor will implement appropriate follow-up actions to ensure that action plans developed are implemented in a reasonable timeframe.

Signed by:

Sarah Cox, Chief Internal Auditor

Lorna Baxter, Director of Finance

Date approved: July 2020

Date of next review: July 2021

AUDIT and GOVERNANCE COMMITTEE – 22 JULY 2020

Internal Audit Update, including 2020/21 Internal Audit Plan

Report by the Director of Finance

RECOMMENDATION

1. **The committee is RECOMMENDED to comment and note the Internal Audit Plan for 2020/21.**

Executive Summary

2. This report presents the Internal Audit update, including the Internal Audit Plan for 2020/21. The report includes an update on counter-fraud case activity. A separate report on Counter Fraud Strategy for 2020/21 will be presented to the September committee.
3. The audit planning process was completed for 2020/21 and a draft annual plan produced which was agreed with each Director. However, due to the Covid-19 pandemic, a refreshed internal audit approach was required as the organisation goes through a period of significant disruption and change. The report to the May 2020 committee meeting therefore set out the workplan for Quarter 1. The plan for the remainder of the year has since been revised and is presented in this report.

Introduction

4. The Internal Audit Strategy for 2020/21 (alongside the quarter 1 workplan) was presented to the May 2020 Audit & Governance Committee. This detailed the audit planning methodology, resources for 2020/21, agreed performance measures and standards to which Internal Audit operate.

Completion of 2019/20 Internal Audit Plan

5. At the May 2020 Committee, the annual report of 2019/20 was presented. Due to the events of covid-19 there were 4 audit reports not issued. Three of these audits have now all been completed, and the executive summaries are included within Appendix 1.
 - Capital Programme Procurement 2019/20, Final Report – Amber
 - Client Charging / Payments to Providers Follow up 2019/20, Final Report – Amber

- Direct Payments 2019/20, Final Report – Red (report already considered by 24 June Audit Working Group)

The fourth audit of SEND, required additional fieldwork to be completed through to July 2020, which had been delayed due to covid-19, and therefore has been carried forward into the 2020/21 plan. The report is now at preliminary draft report stage and will be included in the Internal Audit quarterly updates to the September Committee and AWG meetings.

Quarter 1 Internal Audit Plan

6. Appendix 2, sets out the revised quarter 1 work plan for Internal Audit and progress against completion.
7. The completion of 2019/20 audit plan work would normally have been achieved by the end of April; however, this year was extended to June, due to the pandemic.
8. The internal audit approach was adapted to undertake the work remotely and to work mindfully around the other priorities of the officers/teams involved.
9. Work during quarter 1 for has included, being involved with advising on new control processes for covid-related payments, for example payments to providers.
10. There is an increased fraud risk whilst operating during the pandemic, and this will need to be a key focus within both the internal audit and counter-fraud work plans, with the focus on helping to prevent loss.

2020/21 Internal Audit Plan

11. The chargeable days available (less overheads and non-chargeable days, e.g. annual leave, training, 1:1s) have remained the same as 2019/20, with chargeable days available for audit assignments for OCC = 915 days.
12. The impact of covid-19 has meant that the quarter one work plan was mainly focussed on the completion of the 2019/20 work plan, development of remote working, responding to requests for advice regarding supplier payments/reliefs due to the pandemic, etc and during late June commencing the revised 2020/21 plan.
13. From quarter 2, this provides an estimated 685 chargeable days remaining to complete the revised plan. The plan is presented in appendix 3. The plan focuses on key risk areas such as Contract Management, Financial

Management, ICT and will recognise emerging risks due to the pandemic and potential changes which may result to the governance and control environment.

14. The 685 chargeable days available for Q2 – Q4: will be approximately split as following across the directorates/services:

Directorate / Service	Chargeable days available for audit assignments (Q2 – Q4)
Corporate / Cross Cutting / Contingency	120
Adults, Children and Public Health	220
Communities / Place & Growth	65
Finance	80
Commercial Development, Assets & Investment	65
Customers and Organisational Development (including ICT)	100
Grant Certification	35
TOTAL	685

15. It should be noted that delivery of the planned days is reliant on being able to successfully recruit a permanent senior auditor, which is currently vacant.

Counter-Fraud

16. Internal Audit have the responsibility for Counter-Fraud. The future model for delivery of both the pro-active fraud plan and management of reactive work / investigations is subject to review, looking for opportunities to further build and strengthen our pro-active fraud activity. The Counter Fraud Strategy and Plan for 2020/21 will be presented separately to the September Audit & Governance Committee.
17. Within this report we have included in appendix 4, an update on open and closed fraud referrals and cases as at July 2020. With the new case management system, we are now establishing our processes to ensure that for all cases we capture the financial data for us to be able to report going forward; alleged losses, actual losses and amounts recovered. We will review how this information can be included in future updates to the AWG and the Committee. From April 2020 we are also now routinely issuing post-investigation fraud reports, where control weaknesses are identified during the investigation, either by case or on a thematic basis. This ensures our review of

control weaknesses and the required control improvements are formally captured, with agreed management actions logged on the 4action audit tracking system, which will be included within our reporting.

LORNA BAXTER

Director of Finance

Background papers: None.

Contact Officer: Sarah Cox, Chief Internal Auditor, 07393 001246

APPENDIX 1:

Capital Programme - Procurement 2019/20

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
A: Procurement Strategy, Policies & Procedures	R	1	2
B: Compliance with Procurement & Contract Guidance	A	0	5
		1	7

Opinion: Amber	10 June 2020	
Total: 9	Priority 1 = 1	Priority 2 = 7
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	8	

Over the past two years there have been significant changes to the way capital programme works are procured and completed, due to the contractual arrangements with Carillion being brought back in house shortly before their collapse in 2018. Works must now be procured on an individual basis, ensuring accordance with EU Procurement Regulations and the Council's Contract Procedure Rules (CPRs).

The audit recognised the ongoing work across Commercial Services and the Programme Office to allow a more standardised approach in the delivery of capital procurement activity. This includes a standard contract template for projects below £25k, allowing contracts for low value works to be issued more efficiently; the development of OCC Frameworks, including a Multi-Disciplinary Framework (to be tendered in April 2020) and a Construction Framework (to be tendered towards the end of the year); and a review of all forms and documents required in capital procurement, to streamline processes and provide consolidation across departments. The quality surveying and governance support currently provided by Commercial Services is also going to be expanded, to provide support across all of Property, Investment and Facilities Management.

Note that this was a compliance audit and did not review the Capital Governance arrangements. The Capital Governance arrangements are currently subject to corporate review and the audit of these is scheduled under the 2020/21 audit plan.

Procurement Strategy, Policies & Procedures

Whilst acknowledging both capital governance processes are currently under review and the provision cycle work is ongoing, a review of policies and procedures available to staff both on the intranet and locally, found the majority of documents are out of date, referring to old governance processes and ways of working. The current Procurement Strategy available to staff has not been updated since 2013, however it was reported a new Provision Strategy will be developed and completed once the provision cycle work is complete. Various other documents on the intranet, including the Council's Contract Procedure Rules, have not been updated since 2015, and Terms of References for Governance Boards that are no longer functioning are also still held on the intranet. Local guidance documents were also found to be inaccurate, referring to processes that are no longer required or have since been updated.

There is currently no formal training for staff responsible for procurement of services for capital projects, however it was reported this will be reviewed by Commercial Services as the new OCC Frameworks are implemented and the provision cycle work is completed.

Compliance with Procurement & Contract Guidance

A review of 20 capital projects, covering different values (and therefore procurement requirements), areas of work, and contractors, found compliance with the CPRs could be demonstrated in some cases, but not all. Where required under the CPRs, works had gone out to tender in all cases, with appropriate tender evaluations following the bids, and for lower value projects, the appropriate number of quotes had been obtained. However, several issues were noted with lower value contracts. In one case, a single quote was obtained for a project with a forecast budget of below £25k, in line with the CPRs, however the quote came back higher, with the contractor awarded the works without any communication with Procurement or obtaining further quotes to ensure value for money. Another instance was noted where a contract was never in place for the works, and in a final case, involving emergency structural works in a school, it could not be demonstrated the Director had authorised the works in writing (in line with the CPRs), or that the appropriate individuals were made aware of the emergency works, as required in the CPRs.

Sample testing identified issues with timeliness of the exemption reports. All exemption reports sampled had been subject to the appropriate appraisals and authorisations, however in one case, the exemption report was completed 4 months after practical completion of the project, and in another case, the exemption report was written in July 2018, but sign off by the relevant Portfolio Holder was not obtained until March 2019, at which point the contractor had received some payments. A review of invoices and payments confirmed that for all exemptions in the sample aside from this one, no payments were made prior to the exemption report being signed off.

It was noted during sample testing the Council's contract management system, Atamis, is not used consistently or accurately to records details of contracts for capital projects. Of the 20 projects sampled, contracts were recorded on Atamis in only 5 cases, 2 of which had an incorrect contract value recorded, and for 1 case, the contractor had not been assigned to the contract. The spend recorded against these 5 contracts was also inaccurate, with Atamis showing either no spend or spend considerably greater than the contract's value (as payments from other projects had been assigned to the contract).

The inconsistent use of and inaccuracies within the system were acknowledged by Corporate Procurement who reported it is the intention for Atamis to be used more widely following the Provision Cycle work, including monitoring to ensure data is correct, and the utilisation of a central storage function to hold copies of all contracts in place.

Client Charging / Payments to Providers Follow Up 2019/20

Overall conclusion on the system of internal control being maintained	A
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Opinion: Amber	11 June 2020	
Total: 21	Priority 1 = 0	Priority 2 = 21
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	21	

Introduction

An audit of Client Charging and Payments to Providers was undertaken as part of the 2019/20 Internal Audit plan, to provide assurance over the accuracy, integrity, and timeliness of charging and payments. The audit focused on the effectiveness of implementation of previous actions and the service improvement projects being carried out to address ongoing issues. The management letter provides an update on the improvement work undertaken so far and the status of outstanding management actions.

Overall Conclusion

The overall conclusion of this audit is **Amber**. While the service is aware of key issues and have various improvement projects and trials in place to address these, progress in resolving a number of the recurring control issues highlighted in the last 3 years' audits of both Client Charging and Payments to Providers has been limited ahead of wider scale systematic improvements to processes, improvements to the consistency of LAS input for care packages, and performance management information flowing through from the implementation of the Finance Functions project. The Council therefore continues to be open to the financial and reputational risks identified in previous audits, which include delayed or inaccurate payments and charges.

Summary of Findings

The 2018/19 audits of Client Charging and Payments to Providers were both graded Amber, identifying similar areas of weakness as in previous years' audits due to unresolved control issues. These include inaccuracies or inconsistencies in charging and payments due to errors in recording care packages on LAS (such as incorrect

dates, service types, or duplicate care packages) or delays in the completion of forms and contracts (such as Annex 2s, Support Plans, and Third Party Top Ups).

In order to address these ongoing issues, Adult Social Care have set up, or are involved in, a number of trials and projects, including the care home trial project to streamline the contract and payment process for service users entering residential care; the service provision errors trial to identify, analyse, and correct LAS errors; and the finance functions project to review and assign responsibilities for the end-to-end care package process, from brokerage to payment. It is acknowledged that the onset of the Covid-19 pandemic has resulted in delays in completion of the Finance Functions project, which has impacted on the service's ability to progress a number of management actions over the past few months. The project was due to go out to consultation at the beginning of April but has been paused. It is now expected to recommence from September 2020.

Although management actions for the majority of issues newly identified in the 2018/19 audits have been effectively implemented, the historic issues / management actions covered in some of the previous reports have not. As part of the service provision errors trial, the LAS Improvement Team have maintained a log detailing each issue they are contacted about, and analysis of this found a number of the issues highlighted during previous audits are continuing to cause inaccurate payments, resulting in financial loss and reputational damage, as well as an increased workload for the teams correcting the errors.

The most common error reported is incorrect start or end dates on care packages, making up 39% of the issues recorded. This has been an ongoing issue across previous years' audits of both Client Charging and Payments to Providers, increasing the risk of inaccurate payments to providers and charges to service users. It is intended the work of the finance functions project will address this, creating clear responsibility for setting up and ending care packages. Other errors frequently reported include duplicate services, missing services, incorrectly deleted services, and incorrect service type, hours, provider, or banding being added.

An action plan with 21 either revised or new management actions covering Client Charging and Payments to Providers processes has been agreed.

Direct Payments 2019/20

Overall conclusion on the system of internal control being maintained	R
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Opinion: Red	11 June 2020	
Total: 9	Priority 1 = 9	Priority 2 = 0
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	9	

The full audit report has been previously shared with Audit & Governance members, distributed with Audit Working Group papers and was considered at the June meeting. (see report of the AWG 24/6/20).

The audit noted a number of weaknesses in the current arrangements, which are fragmented and complex – with different internal teams and external providers included in the Direct Payment (DP) setup, monitoring and payment arrangements. Sample testing highlighted gaps in processes with the potential for incorrect payments. DP Online Accounts were launched in 2018 and should provide the Council with greater financial transparency over DP accounts, as well as a reduced administrative burden for both the Council and Service Users. However, there has been a very low uptake.

Whilst the report is graded Red, the audit acknowledges that improvements have been made to the control environment supporting DP's however many of these actions are either yet to be fully embedded and working effectively or to be completed. Examples of these new controls include the introduction of the social care DP Checklist; greater scrutiny and oversight of DP's at the Performance Board; and targeting DP care packages for overdue annual reviews.

APPENDIX 2:

INTERNAL AUDIT QUARTER 1 PLAN 2020/21

This plan was presented to the May 2020 committee.
This reports progress / completion of the Q1 plan.

Audit / task	Detail	Status as at 10 July
Completion of 2019/20 Internal Audit Programme	This is normally completed by the end of April. This has been delayed due to covid-19 and has been extended until the end of June.	Completed
Covid-19 funding / payments.	<p>Internal Audit have been involved with supplier relief payments.</p> <p>At OCC Internal Audit were initially involved in the processes being established to support adult and children's provider payments from the Service Sustainability Fund.</p> <p>Internal Audit have reviewed and advised on the processes established for the early years covid-19 funding, supporting both nursery settings and childminders.</p> <p>Internal Audit will also look to support further by providing assurance over the accuracy and integrity of Supplier Relief Payments across the directorates and also the 10% uplift payments made to social care providers.</p>	Ongoing
Public Health – Alcohol Capital Grant	Chief Internal Auditor verification and sign off is a requirement of the grant conditions. This needs to be completed by the end of May 2020.	Timescales extended – awaiting information from service.
Troubled Families	The condition of the grant claim is that Internal Audit test a sample of 10% and sign off on each claim submitted. The service plan to submit 3 claims during the financial year 2020/21	Timescales extended – Internal Audit will be required to sign off by the end of July 20.

	– the first one will be before the end of June 2020.	
Action Tracking	Work required to reconfigure system to enable us to onboard CDC exiting actions and be able to report on them separately to the two different audit committees.	Ongoing
	No soft chasing of officers due to covid-19 during March-May. Review position in June and get updates where required and escalate where appropriate through DLTs.	Complete – will be next reporting to September AWG.
	Review dashboard access for senior managers – OCC and CDC	Ongoing
PSIAS	Annual self-assessment against PSAIS and renewal of IA charter	Complete
Revision of Internal Audit Plan	Draft plan to be reviewed with each Directorate, emerging risks and control environment changes to be identified, with new areas for assurance included.	Complete
Quarter 1 audits	It is planned that 4 audits will commence mid-end of June. These are currently being selected. One of these where scoping has already been undertaken is IT Disaster Recovery Audit 20/21 (which had been deferred from 2019/20). An update will be made to the July A&G committee on the work started in June.	<p>Audits commenced during June 2020 (will be finalised and reported to the Sept meetings of AWG/A&G):</p> <ul style="list-style-type: none"> - Payroll - Highways Contract Management - Carterton Community College - IT Disaster Recovery <p>Grant certification completed during June 2020:</p> <ul style="list-style-type: none"> - Better Broadband Programme. <p>Audit c/f from 2019/20:</p> <p>– SEND (fieldwork completed July 2020 and at preliminary draft report stage).</p>

APPENDIX 3: Internal Audit Plan 2020/21

Summary level plan (for detailed plan description, see next pages)

Corporate Director / Area	Audit
All	For 20/21 there will be an element of contingency to allow for emerging risks and governance/control environment changes as they are identified and to allow for new ways of undertaking assurance activities to be developed (for example remote auditing).
All	Covid-19 funding / payments – where requested we are reviewing and advising on processes being established, providing assurance on some of the payments and reliefs made.
Commercial Development, Assets and Investments	Contract Management – Payments by Results Contracts (sample across services) - (Combined Audit and Counter Fraud activity)
Commercial Development, Assets and Investments	Property, Investment & Facilities Management
Communities	Highways Contract Management
Communities / Place and Growth / Finance	Capital Programme – Governance, Formulation and Prioritisation
Finance	Payroll
Finance	Pensions Administration
Finance	Combined audit & counter fraud reviews of financial systems / processes – areas to be determined based upon risk.
Childrens	Childrens Payments via Controcc/LCS Recording – Follow up audit
Childrens	Management of Placement Vacancies
Childrens	Family Safeguarding Plus – Financial Management
Childrens	Troubled Families (4 claims)
Childrens	ICT new system implementation - Children's Education System (including design of internal controls / processes, including IT security controls)

Childrens	ICT – Application audit - Childview System (OYJS)
Childrens	SEND (audit started at the end of 2019/20, c/f to 20/21 due to covid-19)
Schools	Carterton Community College
Adults	Order of St Johns Contract
Adults	Mental Health – Outcomes Based Contract Contribution
Adults	Client Charging
Adults	Payments to Providers
Customers & Organisational Development	Cultural Services – Music Service
Customers & Organisational Development	Corporate - Risk Management
Customers & Organisational Development - ICT	ICT Incident Management
Customers & Organisational Development - ICT	ICT Disaster Recovery Planning
Customers & Organisational Development - ICT	ICT Asset Management
Customers & Organisational Development - ICT	ICT Web Portals
Grant Certification	Various (approx. 10 for OCC)

Detailed Plan:

Oxfordshire County Council Internal Audit Plan 2020/21

Corporate Director / Audit	Scope	Audit Needs Assessment – Priority	Link to Corporate Plan & Leadership Risk Register
All			
Covid-19 Funding/Payments	<p>Where requested Internal Audit/Counter Fraud team have been involved in the review of processes to make grants/payments in respect of covid-19.</p> <p>Internal Audit will provide assurance over the accuracy and integrity a sample of grants / payments / supplier relief activities.</p>	H	-
Commercial Development, Assets and Investments			
Contract Management – Payments by Results (Combined Audit and Counter Fraud activity)	A combined audit / counter fraud proactive review will be undertaken to provide assurance over the effectiveness of the contract management arrangements where payments are made based upon results (sample across OCC services).	H	<i>Corporate Plan: To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>
Property, Investment & Facilities Management	The management of property, facilities and energy management operations were brought back in house, following the collapse of Carillion in 2018. The scope of the audit will be agreed with the Director. It will also include follow up of the initial review of Facilities	M	<i>Corporate Plan: We provide services that enhance the quality of life in our communities and protect the local environment. To achieve our vision, we will listen to residents so we can continuously improve our services</i>

	Management undertaken in 2018/19.		and provide value for money.
Communities			
Highways Contract Management	The council has a major contract in place for highways management. The audit will provide assurance over the robustness of contract management arrangements. The audit will also include follow up on the previous audits of Highways Contract Payments ensuring that the system improvements implemented by the contractor have resulted in a more robust position for the monitoring and payment of costs.	H	<i>Corporate Plan: We support a thriving local economy by improving transport links to create jobs and homes for the future. We provide services that enhance the quality of life in our communities and protect the local environment. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>
Communities / Place & Growth / Finance			
Capital Programme – Governance, Formulation and Prioritisation (deferred from 2019/20 plan)	The audit will provide assurance on the revised governance arrangements in place for the management of the Capital Programme. It will also review processes in place for formulation and on-going prioritisation of projects to be included within the capital programme.	H	<i>Corporate Plan: We support a thriving local economy by improving transport links to create jobs and homes for the future. We provide services that enhance the quality of life in our communities and protect the local environment. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Leadership Risk Register: Growth Deal</i>
Finance			
Payroll	The audit will provide assurance over the key controls and processes operated by OCC to ensure that payments are accurate, timely and only paid to legitimate employees. Hampshire Internal Audit provides separate assurance over the IBC operated controls	M	<i>Corporate Plan: To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>

	and processes.		
Pensions Administration	This is an annual audit to test the key controls providing assurance that members records are accurately maintained and that payment through the pension's payroll are accurate, timely and legitimate.	M	<i>Corporate Plan: To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>
Combined Audit and Counter Fraud Review – see counter fraud plan.	Combined audit & counter fraud reviews of financial systems / processes. The areas covered are to be determined and will be based upon risk (for example, procurement cards). These will be included within the Counter Fraud Plan on completion of a risk assessment.	M	<i>Corporate Plan: To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>
Childrens			
Children's Payments via ContrOCC / LCS Recording	Following the implementation, during 2019, of the new Children's Social Care IT system (LCS) and a new integrated finance system (ContrOCC), the audit will provide assurance on the controls in place to ensure accurate and timely social work recording on LCS and over the accuracy, validity, timeliness and authorisation of payments made from ContrOCC. This will include follow up of the previous audit work undertaken during Q4 of 2019/20.	M	<i>Corporate Plan: We strive to give every child a good start in life and protect everyone from abuse and neglect. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>
Management of Placement Vacancies	The audit will provide assurance over the policies and procedures in place for the management of vacancies with both the internal provision and also the external provision of block contract arrangements.	M	<i>Corporate Plan: We strive to give every child a good start in life and protect everyone from abuse and neglect. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>

			<i>Leadership Risk Register: Demand Management</i>
Family Safeguarding Plus – Financial Management	The Family Safeguarding Plus (FSP) model provides a planned strategic alternative approach that will help manage demand, whilst also delivering better outcomes for children and their families. The FSP model is one of the main workstreams within the Childrens Transformation Programme. The envisaged go live date for the model is Autumn 2020 with significant service improvements and efficiencies expected from the following year. The audit will provide assurance over financial management including the monitoring and delivery of the planned savings.	H	<i>Corporate Plan: We strive to give every child a good start in life and protect everyone from abuse and neglect. We help people live safe, healthy lives and play an active part in their community. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Leadership Risk Register: Demand Management, Safeguarding of vulnerable adults and children, Organisational Change and Service Design.</i>
Troubled Families	The conditions of the grant claim require that Internal Audit test a sample of 10% and sign off on each claim submitted. The service plan to submit 3 claims during the financial year 2020/21.	Mandatory	<i>A requirement of the grant conditions is that Internal Audit independently sample 10% of each claim.</i>
ICT new system implementation – Children’s Education System	Children’s are going out to tender for a new education system. An IT audit review of the implementation of the new system, including design of key security controls will be undertaken. Internal audit will also look to provide assurance over the design of the new system and any changes to operational processes and the internal control environment, pre-implementation.	H	<i>Corporate Plan: We strive to give every child a good start in life and protect everyone from abuse and neglect. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Leadership Risk Register: ICT Infrastructure</i>

ICT – Application audit - Childview System (OYJS)	The Childview system is used within OYJS (Oxfordshire Youth Justice Service) and was last subject to an ICT application audit during 2013. The audit will review the security and management controls over the application to ensure they are adequate for processing activities and the protection of sensitive data.	M	<i>Corporate Plan: We strive to give every child a good start in life and protect everyone from abuse and neglect. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i> <i>Leadership Risk Register: Safeguarding of vulnerable adults and children.</i>
SEND (Special Educational Needs & Disability)	This audit was started at the end of 2019/20; however, the fieldwork was not completed until July 2020 due to covid-19 so has been c/f into the 2020/21 plan. Following the implementation of the SEND Code of Practice 2015, there has been an Ofsted inspection of the service. The audit will review the governance, financial and operating processes within the SEND team.	H	<i>Corporate Plan: We strive to give every child a good start in life and protect everyone from abuse and neglect. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i> <i>Leadership Risk Register: Safeguarding of vulnerable adults and children.</i>
Schools Audit – Carterton Community College	Audit requested by the Director of Finance and Childrens Finance Business Partner.	M	<i>Corporate Plan: We strive to give every child a good start in life and protect everyone from abuse and neglect. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>
Adults			
Order of St Johns Contract	The Council has a major contract in place with the Order of St John's Care Trust (OSJ) for the provision of residential placements. The audit will provide assurance over	H	<i>Corporate Plan: We enable older and disabled people to live independently and care for those in greatest need. We help people live safe, healthy lives and play an</i>

	governance and contract management, including specific focus on the policies and procedures in place for the management of vacancies within block contract arrangements.		<i>active part in their community. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Leadership Risk Register: Demand management, Safeguarding of vulnerable adults and children.</i>
Mental Health – Outcomes Based Contract Contribution	Oxfordshire Clinical Commissioning Group are the lead commissioners for the Mental Health Outcomes Based Contract (OBC) on behalf of Oxfordshire County Council (OCC). The overall contract value is approximately £35m per annum, with the Council's contribution over £6m pa. The OBC is designed to deliver recovery and well-being for adults who live with severe mental illness through the achievement of specified outcomes. The contract is delivered by the Oxfordshire Mental Health Partnership. The current contract ends on 30 September 2020, with an option to extend for a further two years. The audit will review the adequacy of the governance, oversight and assurance arrangements regarding the value the Council get from their financial contribution to this contract.	M	<i>Corporate Plan: We enable older and disabled people to live independently and care for those in greatest need. We help people live safe, healthy lives and play an active part in their community. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Leadership Risk Register: Safeguarding of vulnerable adults and children, Management of partnerships.</i>
Client Charging	The audit provides assurance over the accuracy, integrity and timeliness of client charging. The scope of the audit will also include the processes in place for the management of Adult Social Care debt.	M	<i>Corporate Plan: We enable older and disabled people to live independently and care for those in greatest need. To achieve our vision, we will listen to residents so we can continuously improve</i>

			<i>our services and provide value for money.</i>
Payments to Providers	The audit will provide assurance over the accuracy and integrity of the payments processes in place for payments to residential and home support providers. It will include testing from the initial processes within LAS through to payments and then reporting of those payments through the budget monitoring processes.	H	<i>Corporate Plan: We enable older and disabled people to live independently and care for those in greatest need. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>
Customers & Organisational Development			
Cultural Services – Music Service	A service/establishment audit of the Music Service will be undertaken to provide assurance on compliance with council policies and procedures in key areas including governance, HR and financial management.	M	<i>Corporate Plan: We provide services that enhance the quality of life in our communities and protect the local environment. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>
Corporate - Risk Management (deferred from 2019/20 plan)	The audit will provide assurance over the corporate level processes for risk management, including the arrangements in place for the Leadership Risk Register. This follows on from work completed during 2019/20 at the directorate level.	H	<i>Corporate Plan: To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Leadership Risk Register: Corporate Governance</i>
Customers & Organisational Development – ICT audits			
ICT – Incident Management (deferred from 2019/20 plan)	A new IT service management tool is being implemented in 2020. The audit will review how incidents and service requests are reported to the IT service desk and managed	M	<i>Corporate Plan: To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Leadership Risk Register:</i>

	through to resolution.		<i>ICT Infrastructure</i>
ICT – Disaster Recovery Planning (deferred from 2019/20 plan)	New IT disaster recovery arrangements have been introduced as part of the recent Datacentre Refresh project. The audit will provide assurance that there are plans in place to recover IT systems and services, within agreed timescales following a major incident.	M	<i>Corporate Plan: To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Leadership Risk Register: ICT Infrastructure</i>
ICT - Asset Management	The audit will provide assurance over the management of end-user devices through the lifecycle, including procurement, recording of assets, security of stock items and disposal.	M	<i>Corporate Plan: To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Leadership Risk Register: ICT Infrastructure</i>
ICT - Web Portals	New web portals are being introduced within services. The audit will review the security of web portals to ensure access to corporate data is restricted to authorised users only.	M	<i>Corporate Plan: To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money.</i>

Grant Certification				
Grant Certification – various.	<p>There are several requests made throughout the year for Chief Internal Auditor sign off, of grant certifications. For 20/21 these will include:</p> <ul style="list-style-type: none"> • Local Growth Fund • Integrated Transport Highways Management Block Grant • Highways Maintenance Challenge Fund 	Mandatory	Chief Internal Auditor sign off – requirement of grant claim conditions.	July and Sept sign off

	<ul style="list-style-type: none"> • Pot Hole Action Fund • Disabled Facilities Grant • Bus Subsidy Revenue Grant • Cycling Ambition Grant • Safer Roads Fund 			
Other (Chargeable days – non-audit assignment)				
There are days which are not attributed to specific planned audit activity and include:	<ul style="list-style-type: none"> • Chief Internal Auditor's management days • Preparation of the audit plan and operational planning • Reports for the AWG and Audit & Governance Committee • Attendance at Directorate Leadership Teams meetings and regular meetings with Senior Management • Attendance at the Corporate Governance Assurance group including contribution to and overview of the Annual Governance Statement • External Audit liaison • Liaison with other assurance providers, for example Hampshire Internal Audit and OCCG Auditors. • Follow up on implementation of agreed management actions. • Annual self-assessment against internal audit standards – In accordance with the requirements of the Public Sector Internal Audit Standards • Advice and Liaison • Production of the Chief Internal Auditors' Annual Report • Development of data matching / analytics • Contribution to change management programmes • Admin support for actual audit work 			

Appendix 4:

NB: The Counter Fraud Strategy and Plan for 20/21 will be presented to the September Committee

Fraud referrals and cases as at July 2020

2018/19 Cases

There are still 4 fraud investigations open from 2018/19 – two are Direct Payment investigations that are ongoing; one is subject to a police investigation.

2019/20 Cases

There were 23 fraud cases in 2019/20 of which 9 are open and 14 are closed, broken down by category as follows:

Whistleblowing: 4
Deprivation of Assets/Financial Abuse: 6
Direct Payments: 4
Blue badge / Parking permit / Bus pass Fraud: 1
Procurement/Contract Management: 4
Internal: 3
Pensions: 1

2020/21 Cases

There are 11 fraud cases so far in 2020/21 of which 9 are open and 2 are closed, as follows:

Deprivation of Assets: 3
Direct Payments: 3
Whistleblowing: 3
No Recourse to Public Funds: 1
Internal: 1

Additional Blue Badge cases

There were 46 Blue badge misuse referrals in 2019/20 and 7 so far in 2020/21, of which:

8 are still under investigation
2 blue badge destroyed
1 badge withdrawn
25 Caution letters issued
6 Closed NFA
2 Closed Unproven
9 Insufficient referral information so NFA.

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Division(s):

AUDIT & GOVERNANCE COMMITTEE – 22 JULY 2020

REPORT OF THE AUDIT WORKING GROUP – 24 JUNE 2020

Report by Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the report.**

Executive Summary

2. The Audit Working Group met on 24 June 2020. The group received two internal audit reports of Childrens Controcc Payments and Adults Direct Payments. The group considered the draft Annual Governance Statement and reviewed the Corporate Lead Statements.

Introduction

Attendance:

Full Meeting: Chairman Dr Geoff Jones Councillors: Nick Carter, Roz Smith, Deborah McIlveen and Charles Mathew.

Ian Dyson, Assistant Director of Finance; Sarah Cox, Chief Internal Auditor, Lucy Tyrrell, Committee Officer, Lorna Baxter, Director of Finance, Steve Jorden, Corporate Director Commercial Development, Assets and Investment,

Part Meeting:

Cllr Glynis Phillips, Katherine Kitashima, Audit Manager, Tessa Clayton, Audit Manager, Glenn Watson, Principal Governance Officer, Sarah Smith, Access & Disclosure Officer, Jane Portman, Interim Director of Childrens Services, Lara Patel, Deputy Director for Safeguarding, Hannah Farncombe, Deputy Director for Childrens Social Care, Karen Fuller, Deputy Director for Adults Social Care, Stephen Chandler, Corporate Director of Adults and Housing.

Matters to Report:

AWG 20.03 Childrens Controcc Payments

3. The 2019/20 audit of Childrens Controcc Payments has recently been finalised (May 2020), with an overall grading of Red. The audit identified issues with the integrity of data and accuracy of payments, following the implementation of the new system in June 2019. The group considered the full audit report. Officers attended to provide the group with background to the implementation of the new system and provide an update regarding the agreed action plan, including immediate actions already taken and those now actively in progress.

4. The group expressed their concerns regarding the significance of the findings within the audit report and the risk of errors with payments made. However, acknowledged the work already in progress to address these issues, including the improvements to guidance, appointment of Champions within the teams, clear messaging to staff and the extension of ICT contractor support to address data integrity and provide end user support and training. The group noted the intended improvements that will be delivered through the already planned Finance Functions project, which is now in staff consultation phase. The proposal is to centralise the function of children's and adult's payments, with data quality a key outcome of the project.
5. The AWG have asked that officers return to the October 2020 meeting, to report progress on the implementation of the agreed actions. There is a planned follow up audit for quarter 4 of 2020/21.

AWG 20.04 Draft Annual Governance Statement, including Corporate Lead Statements

6. Glenn Watson presented the draft Annual Governance Statement and Corporate Lead Statements for 2019/20. The group reviewed and offered comments on the Corporate Lead Statements which have been previously reviewed and challenged through the Corporate Governance Assurance Group (CGAG). The Group reviewed the draft Annual Governance Statement and action plan, noting that the format had been revised in accordance with latest Cipfa guidance.
7. The Group were satisfied with the processes in place to produce the Annual Governance Statement. The Annual Governance Statement will be presented to the July Audit & Governance Committee.

AWG 20.05 Adult Direct Payments

8. The 2019/20 audit of Adults Direct Payments has recently been finalised (June 2020), with an overall grading of Red. The audit noted a number of weaknesses in the current arrangements, which are fragmented and complex – with different internal teams and external providers included in the Direct Payment setup, monitoring and payment arrangements. Sample testing highlighted gaps in processes with the potential for incorrect payments. The group considered the full audit report.
9. Officers attended to provide the group with their response to the audit report and how the action plan is been managed. Key priorities include the design and implementation of a new model to deliver an efficient and effective system of operation, strengthen the promotion of online accounts, alongside other choice options and as noted above under Children's Controcc, deliver improvements through the already planned Finance Functions Project, introducing a central payments team for childrens and adults.

10. The group expressed their concerns that a number of the process issues highlighted in this audit had been previously raised in earlier audits of Direct Payments and that the issues raised have not been sufficiently addressed. The group noted the significance of the findings within the report, however acknowledged that a detailed plan to address these was now in place, which has robust oversight of the Corporate Director and Deputy Director to ensure effective implementation.
11. The AWG have asked that officers return to the December 2020 meeting, to report progress on the implementation of the agreed actions.

LORNA BAXTER
Director of Finance

Contact Officer: Sarah Cox, Chief Internal Auditor
June 2020.
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Date of next AWG meeting Wednesday 9 September 2020 at 14:00

Agenda items for AWG September meeting:

- Annual Whistleblowing Report
- Internal Audit Update
- Oxford City Agency Agreement Update
- S106 Update
- Security Bonds Update

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AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2020/21

16 September 2020

Local Government Ombudsman's Review of Oxfordshire Co (Steve Jorden)
Monitoring Officer Annual Report (Steve Jorden)
Constitution Review (Steve Jorden/Glenn Watson)
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Richard Webb)
OFRS Statement of Assurance 2019-20 (Don Crooks)
Ernst & Young – 2019/20 Annual Audit Letter (Janet Dawson)
Counter-fraud Plan 2020/21 (Ian Dyson)
Internal Audit Plan – Progress Report (Sarah Cox)

11 November 2020

Treasury Management Mid Term Review (Tim Chapple)
Counter-fraud Update (Ian Dyson)

13 January 2021

Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22 (Tim Chapple)
Internal Audit Plan – Progress Report (Sarah Cox)

17 March 2021

Ernst & Young – Progress Report inc. Audit Plan (Janet Dawson)
Scale of Election Fees and Expenditure (Glenn Watson)
Audit & Governance Committee Annual Report to Council 2020 (The Chairman)
Progress update on Annual Governance Statement Actions (Glenn Watson)
Counter-fraud Update (Sarah Cox and Tessa Clayton)

Standing Items:

- Audit Working Group reports (Sarah Cox)
- Audit & Governance Committee Work Programme – update/review (Committee Officer/Chairman/relevant officers)

Deferred Items due to COVID-19

Annual Scrutiny Report (Robin Rogers)

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