



To: **Members of the Audit & Governance Committee**

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

**Wednesday, 2 June 2021 at 1.00 pm  
Bodicote House, Bodicote, Banbury OX15 4AA**

Please note that Council meetings are currently taking place in-person (not virtually) with social distancing at the venue. Meetings will continue to be live-streamed and those who wish to view them are strongly encouraged to do so online to minimise the risk of Covid-19 infection.

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

Places at the meetings are very limited due to the requirements of social distancing. If you still wish to attend this meeting in person, you must contact the Committee Officer by 9am four working days before the meeting and they will advise if you can be accommodated at this meeting and of the detailed Covid-19 safety requirements for all attendees.

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

Yvonne Rees  
Chief Executive

May 2021

*Committee Officers: Lucy Tyrrell, Tel 07741 607834; E-mail:  
lucy.tyrrell@oxfordshire.gov.uk*

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**Membership**

Chairman – Councillor Roz Smith  
Deputy Chairman – Brad Baines

*Councillors*

Donna Ford  
Nick Leverton

Dan Levy  
Ian Middleton  
Jane Murphy

Michael O'Connor  
Judy Roberts

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*Co-optee*

Dr Geoff Jones

**Notes:**

- ***There will be a pre-meeting held virtually on Thursday 27 May at 9.00 a.m. for the Chairman, Deputy Chairman and Opposition Spokesman.***
- ***Date of next meeting: 21 July 2021***

## 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](mailto: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 - 12)

To approve the minutes of the meeting held on 3 March 2021 and 18 May 2021 (to follow) and to receive information arising from them.

4. **Petitions and Public Address**

*Currently council meetings are taking place in-person (not virtually) with social distancing operating in the venues. However, members of the public who wish to speak at this meeting can attend the meeting 'virtually' through an online connection. Places at the meeting are very limited due to the requirements of social distancing. While you can ask to attend the meeting in person, you are strongly encouraged to attend 'virtually' to minimise the risk of Covid-19 infection.*

***Please also note that in line with current government guidance all attendees are strongly encouraged to take a lateral flow test in advance of the meeting.***

*Normally requests to speak at this public meeting are required by 9 am 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 9am four working days before the meeting i.e. **9 am on Wednesday 25 May 2021.** Requests to speak should be sent to [lucy.tyrrell@oxfordshire.gov.uk](mailto:lucy.tyrrell@oxfordshire.gov.uk). You will be contacted by the officer regarding the arrangements for speaking.*

*If you ask to attend in person, the officer will also advise you regarding Covid-19 safety at the meeting. If you are speaking 'virtually', you may submit 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 am 2 working days before the meeting. Written submissions should be no longer than 1 A4 sheet.*

5. **Audit Working Group Terms of Reference and Appointments to the Audit Working Group** (Pages 13 - 16)

1.10 p.m.

Report by the Director of Finance

This report presents the updated Audit Working Group Terms of Reference and

requests members of the Audit & Governance Committee to appoint the members and substitute members of the Audit Working Group.

***The committee is RECOMMENDED to:***

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

## **6. Statement of Accounts 2020/21 (Pages 17 - 32)**

1.30 p.m.

Report by the Director of Finance.

This report sets out the latest position on the preparation of the 2020/21 Statement of Accounts including:

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

***The Committee is RECOMMENDED to***

- a) ***note the latest timetable for the 2020/21 Statement of Accounts and external audit***
- b) ***comment on the draft Narrative Report and Going Concern assessment that will form part of the Statement of Accounts***

## **7. Annual Governance Statement (to follow)**

1.50 p.m.

## **8. Ernst & Young - Progress Report (to follow)**

2.10 p.m.

## **9. Treasury Management Annual Performance Report (Pages 33 - 46)**

2.30 p.m.

Report by the Director of Finance.

The report sets out the Treasury Management performance in the financial year 2020/21 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 Audit & Governance Committee is RECOMMENDED to note the report, and to***

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

**15 MINUTE BREAK SCHEDULED**

**10. Annual Report of the Chief Internal Auditor (Pages 47 - 90)**

3.10 p.m.

Report by the Chief Internal Auditor.

This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2020/21, and providing an opinion on the Council's System of Internal Control. The opinion is one of the sources of assurance for the Annual Governance Statement.

***The committee is RECOMMENDED to consider and endorse this annual report.***

**11. Internal Audit Strategy & Annual Progress Plan 2021/22 (Pages 91 - 110)**

3.30 p.m.

Report by the Director of Finance.

This report presents the Internal Audit Strategy and Internal Audit Plan for 2021/22.

***The committee is RECOMMENDED to comment and note the Internal Audit Strategy and Internal Audit Plan for 2021/22.***

**12. Audit Working Group Report (Pages 111 - 112)**

3.50 p.m.

Report by the Director of Finance.

This report presents the matters considered by the Audit Working Group Meeting of 28 April 2021.

***The Committee is RECOMMENDED to note the report.***

**13. Audit & Governance Committee Work Programme 2021/22 (Pages 113 - 114)**

4.00 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.***

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## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 3 March 2021 commencing at 1.00 pm and finishing at 6.05 pm

**Present:**

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

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

**Non-voting Members** Dr Geoff Jones

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

**Officers:**

Whole of meeting Sarah Cox, Chief Internal Auditor; Steve Jordan, Corporate Director Commercial Development, Assets and Investment; Lorna Baxter, Director for Finance; Claire Taylor, Corporate Director of Customers and Organisational Development; Hannah Doney, Head of Corporate Finance; Anita Bradley, Director of Law and Governance; Glenn Watson, Principal Governance Officer; Lucy Tyrrell, Committee Officer

Part of meeting

<b>Agenda Item</b>	<b>Officer Attending</b>
Item 10	Paul Fermer, Assistant Director of Community Operations

*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.*

### 14/21 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies for absence.

Councillor Jeannette Matelot advised she will continue to attend the Committee until the end of March 2021.

## **15/21 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 2)

There were no declarations of interest.

## **16/21 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 3)

The Committee received the following addresses:

Item 13 – Councillor Jane Hanna

Item 15 – Councillors Jane Hanna and Tim Bearder

## **17/21 MINUTES**

(Agenda No. 4)

The minutes of 13 January 2021 were agreed.

Item 5/21 – Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22 - Lorna Baxter, Director of Finance, confirmed that the Treasury Management Strategy Team will consider investing larger amounts in the strategic funds as part of the Mid-Term Review which will be brought to this Committee in November.

9/21 – Provision Cycle Update – in response to Councillor Phillips question, Steve Jorden, Director for Commercial Development, Assets and Investment advised that the new Head of Procurement Contract Management position is in place and Category Management positions underneath that position have also been appointed and will be in place in the coming months. Steve Jorden assured Members that by the end of May all senior management roles will be filled.

Councillor Smith requested further information on communication with Members and how the provision cycle and the 23 steps will be communicated to Members? Steve Jorden advised this will be through Group Leaders and Cabinet with an all Member briefing following to ensure all Members receive an in-depth update.

Item 10/21 – Highways Contract Update – Steve Jorden assured Members that the sale of Skanska is going ahead, and the extension of the contract is in process.

Item 12/21 – Members Advisory Panel – Anita Bradley, Director of Law and Governance advised that she will undertake to take the recommendation of this Committee to Full Council. (**ACTION**)

## **18/21 ERNST & YOUNG - PROGRESS REPORT INCL AUDIT PLAN**

(Agenda No. 5)

Janet Dawson presented the report Oxfordshire County Council & Oxfordshire Pension Fund Annual Letter for the year ended 31 March 2020 – February 2021 and advised the report is prepared as a summary for Members to understand the scope of work undertaken and the findings of that.

Janet Dawson and Adrian Balmer responded to Members' questions on the following:

- In terms of pension fund fees, once these are presented, they are submitted to the PSAA which is a complicated process and would hope this to be completed in six months however they have no set timescales on their process.
- The pension fund fees set do not reflect the risk profile of the organisation, which although has not changed over the past couple of years, also does not reflect the change in the regulatory requirements set by the FRC.
- We are satisfied in how the contingent liabilities and potential expenditure for the Carillion settlement is included and presented in these accounts.
- The figure presented for the valuation of assets was the judgemental difference between the internal and external valuations received. The main driver of this was the valuation of special schools and a smaller difference of primary schools. Hannah Doney confirmed that they are working closely with the team to address this for next year, and although this is a 3-year valuation programme and would not normally be reviewing for another two years, will be requesting valuations for these assets on the 2020/21 process to avoid any further differences.

## **19/21 STATEMENT OF ACCOUNTS 2020/21**

(Agenda No. 6)

Hannah Doney, Head of Corporate Finance introduced the Statement of Accounts 2020/21 which sets out the approach taken to the preparation of the 2020/21 Statement of Accounts, including the proposed timetable for the 2020/21 Statement of Accounts and external audit taking into account the consultation of amendments to the Accounts and Audit Regulation and the processes around this.

Hannah Doney further highlighted that the draft regulations, currently under consultation, seek to remove the fixed period for public inspection of the accounts from 31 May to on or before 1 August, however as set out in this paper, we are aiming to complete the draft accounts by early June, of which a link will be sent to this Committee upon publication, with the external audit commencing in early June to be approved at the Committee meeting in July or September.

Hannah Doney responded to Members' questions as follows:

- The School and Early Years Finance (England) Regulations 2020 came into force on 21 February 2020 and are applicable to the 2020/21 accounts, and these further stipulate that a deficit on the Dedicated School Grant (DSG) must be carried forward to be funded from future DSG income. The Council has a deficit on the DSG and therefore will be treated on the balance sheet as a negative balance, rather than held within the Council's total Earmarked Reserves. This is not a unique position for OCC, as a lot of local authorities with a responsibility for schools have a deficit on their High Needs Block funding. Lorna Baxter, Director of Finance advised that this is a cash problem, which does not solve the issue and is something that she will be lobbying for in her position as President for the Society of County Treasurers.

- The going concern for local authorities is different than that for private companies, however due to legislative changes and the impact of COVID, there has been a change of focus from the auditors and they now require more information of our going concern. This is forecast for the next 12 months, and that information has been included in our budget preparation.
- The forecast deficit has not changed from the previous year and are expecting a similar deficit for the 2021 accounts, therefore the backlog of EHCPs was built into that forecasted projection, and there is not sufficient evidence to suggest that this figure will reduce in the next few years.
- Current rules do not allow Councils to use general funds to offset the High Needs deficit, therefore capitalisations that have been sought by and agreed for other Councils are more for their sustainability in their general funds rather than High Needs deficit.
- The implementation of IFRS 16 Leases has been delayed until 1 April 2022, however work we had begun this year will put us ahead, but these will need to be revalued prior to inclusion on the balance sheet.

**RESOLVED to**

- (a) **note the proposed timetable for the 2020/21 Statement of Accounts and external audit**
- (b) **ratify the accounting policies as approved by the Chief Finance Officer and included as an appendix to this report.**

**20/21 COUNTER-FRAUD UPDATE**

(Agenda No. 7)

Sarah Cox, Chief Internal Auditor introduced the report which presented a progress update for counter-fraud activity, including a plan supporting the Council's Anti-Fraud and Corruption Strategy and a summary of counter-fraud activity against the annual plan.

Sarah Cox highlighted the increase in staff resource to have capacity to deliver the service jointly across both Councils including 2 Counter-Fraud Officers and 1 Intelligence & Data Officer. These have already shown a positive impact to the team with proactive activity enabling more focus on high profile risk areas.

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

- Some open cases will take longer due to the ongoing investigations involved, including those with outside agencies such as police investigations. However, these are still being actively monitored by the team and cases are not closed until all routes have been satisfied.
- Reactive objectives refer to team actions, proactive objectives are raising awareness on a greater level throughout the organisation. COVID has impacted on the amount of proactive work taking place, however the updated plan presented to the Committee in July will show more proactive practices taking place.
- Joint working with CDC will commence on 1 April, so the number of cases before you today do not include these, therefore these will increase however we will have the staffing capacity to deal with these.

The Committee requested that their thanks be recorded for Sarah Cox and her team for all their work, and by not allowing the lack of resourcing to impact the quality of work required.

**RESOLVED to comment and note the progress update for counter-fraud activity.**

## **21/21 PROGRESS UPDATE ON ANNUAL GOVERNANCE STATEMENT ACTIONS** (Agenda No. 8)

Anita Bradley, Director of Law and Governance introduced the report which provides a description of the effectiveness of the Council's governance framework and an Opinion as to its sufficiency. In last year's Annual Governance Statement (AGS), several governance actions were listed as priorities for 2020/21 and this report gives a brief update on those actions.

Anita Bradley responded to Members' queries as follows:

- The next report will include an itemised appendix with a timeline in order that the Committee can track and monitor against targets set.
- To give Committee assurance that the AGS will include a statement that due process is followed when issuing contracts in relation to the COVID-19 pandemic.

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

## **22/21 AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT TO COUNCIL 2020** (Agenda No. 9)

Councillor Nick Carter, Chairman of the Audit & Governance Committee introduced the report which set out the work of the Audit & Governance Committee during 2020/21.

Sarah Cox, Chief Internal Auditor, advised that the report can be amended or added to at this stage before it is presented to the Full Council's May meeting. She further advised that the report would be updated to take into account the review of the procurement award process on the agenda for this meeting.

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

## **23/21 HIGHWAYS CONTRACT UPDATE** (Agenda No. 10)

Paul Fermer, Assistant Director of Community Operations presented a set of slides to the Committee which gave an update on the actions from the Highways Contract audit.

Paul Fermer responded to Members' questions as follows:

- There has been a greater level of oversight and ownership from officers following the transformation work carried out over the last couple of years.
- Causeway is an 'off the shelf' product and in the short term is the better system.
- Partnership terms of reference have been reviewed and updated and can report of the robustness of how the contract is governed.
- Skanska has a selection of suppliers they can use and competitively benchmark against, therefore are keen to push hard on value for money initiatives.
- The company uses local contractors and are keen to highlight the social value of using local companies.
- As part of our due diligence the business relationship of M Group Holdings has been questioned, they state their business model focuses on stability and not profit margins, and there are opportunities to attain added value through this partnership. We are one of many local authorities going through this process and are able to share intelligence with them.
- There are two clear end dates to this contract, the existing contract ends on March 2023, with a decision to extend until March 2025. This decision will be made by Cabinet in April, if the decision is not to extend, we will go out to tender.

The Committee requested that a paper be brought to this Committee outlining the pros and cons of retendering this contract to make a recommendation to Cabinet prior to renewing this contract. **(ACTION)**

## **24/21 SCALE OF ELECTION FEES AND EXPENDITURE**

(Agenda No. 11)

Anita Bradley, Director of Law and Governance introduced the report which sets out a scale of expenses as a guide to expenditure incurred during elections by the Returning Officer and paid by the Council brought to this Committee in the interests of transparency for this area of election governance.

Anita Bradley highlighted that as part of a consultation with the County, City and District Council election specialists in Oxfordshire, this scale will be used when acting on behalf of the Returning Officer and they are generally mindful of the County Council's scale of expenses when setting their own scale of expenses.

Anita Bradley updated the Committee on the current situation of holding an election during the pandemic, however wished to assure Members that weekly meetings are held to plan for these elections and is confident there will be sufficient staff to run these.

**RESOLVED to note the Scale of Election Expenses for the financial year 2021/22, as shown in the Annex to this report, for the election of County Councillors and any other poll associated with the County Council during the year.**

## **25/21 AUDIT WORKING GROUP**

(Agenda No. 12)

Sarah Cox, Chief Internal Auditor presented the report which summarised the meeting of the Audit Working Group meeting held on 10 February 2021. Dr Geoff

Jones advised that the group received a further update on the progress of SEND, following the weaknesses identified during the audit completed during 2020/21. He further advised that the group acknowledged there was more work to complete in the improvement plan, however officers had agreed to circulate the Accelerated Progress Plan & Letter following the outcome of the DfE visit due in February 2021 with a planned follow up audit for later in 2021/22.

**RESOLVED to note the report.**

## **26/21 CONSTITUTIONAL REVIEW**

(Agenda No. 13)

Anita Bradley, Director of Law and Governance presented the report which set out one substantive change for potential consideration by Full Council and outlined the administrative changes to be made in-year by the Monitoring Officer. The Committee was asked to note and comment upon these matters.

Anita Bradley also highlighted the third recommendation which asked the Committee to endorse the proposal that the Monitoring Officer should bring forward proposals to this Committee after the May 2021 County Council elections in the 3<sup>rd</sup> cycle of meetings for this Committee, for achieving a full review of the structure and content of the Constitution.

Councillor Jane Hanna spoke to the Committee and expressed her concerns around the timetabling of this review, stating that the intention of the administration throughout 2020 was that a review would be undertaken by January 2021 by this administration, the urgency of which was demonstrated by Item 15 on the agenda for this Committee. She highlighted that following requests from herself, the Deputy Leader of the Council had agreed to take on her points made in relation to ensuring that the COVID-19 response and Scrutiny Procedure Rule 19(a) was addressed in the upcoming review of the Constitution to ensure that the Council was fit for the future in relation to COVID-19 planning for Restart, Recovery, and Renew. She emphasised that there was a huge amount of experience within the County Council, who have been Councillors throughout the pandemic so far, who could contribute most effectively to this review.

Councillor Hanna provisionally welcomed the proposed amendment to the key decision which defined the meaning of a significant sum, however expressed concerns regarding the lack of transparency as to how the procurement settlement detailed in Item 15 came about or under what powers of the Constitution the settlement payment was made without the involvement of Cabinet or Full Council.

Councillor Hanna also spoke to the new rules made last year on Part 3.1A – Virtual Meeting Procedure rules, which leaves little time for full scrutiny of the Committee papers if they are tabled late, however welcomed the clarification that these had been requested due to the temporary virtual working arrangements as a back-up if technology should fail.

In relation to the change to how a key decision is defined within the Constitution, she welcomed further comment from the Monitoring Officer that would explain this

amendment. She would also welcome an extension to the review period, enabling a full review which should be all-member led.

Councillor Nick Carter, Chair of the Audit & Governance Committee thanked Councillor Hanna for her comments. He stated that he had hoped Councillor Hanna had been assured that the issues regarding the timetable had been satisfied, and welcomed her comments regarding an all-member led review, which should be taken following the elections to enable the new Council to push this forward.

Anita Bradley responded to the above and other Members' queries as follows:

- The first recommendation proposed increased transparency to key decision making within the Council, especially for those key decisions taken by Officers ensuring there is full consultation with the relevant Portfolio Holder.
- It would be the responsibility of the Monitoring Officer to ensure that Officers are made aware of and trained in the process of democratic decision making in the Constitution.
- The Constitution currently sets out the description of a Key Decision in a footnote in Article 14 (Decision Making). The proposal is that this be moved into the main body of Article 14 and ensure that decisions can only be taken following consultation with the relevant Cabinet Member and Section 151 Officer. The definition of 'significant' will be clearly defined within the document.

The Committee expressed concerns to the timescale detailed in recommendation (c), and requested that this be extended to allow the new Council adequate time to undertake a full all-member led review and was amended so that the Monitoring Officer bring forward proposals to this committee in the 4<sup>th</sup> cycle of meeting for this Committee.

#### **RESOLVED to**

- (a) Endorse the proposed amendment to review and bring the definition of a Key Decision into the main body of the text with the addition of consultation arrangements for Key Decisions taken by Officers;**
- (b) Note the administration changes that the Monitoring Officer intends to make to update the Constitution to bring clarity and correction to it;**
- (c) Endorse the proposal that the Monitoring Officer should bring forward proposals to this Committee after the May 2021 County Council elections in the 4<sup>th</sup> cycle of meetings for this Committee, for achieving a full review of the structure and content of the Constitution.**

#### **27/21 WORK PROGRAMME**

(Agenda No. 14)

The following changes/additions were agreed:

Constitutional Review moved from 15 September 2021 meeting to 17 November 2021.

#### **28/21 REVIEW OF PROCUREMENT AWARD PROCESS UPDATE**

(Agenda No. 15)



Steve Jorden, Corporate Director for Commercial Development, Assets and Investment introduced the report which followed the successful challenge from an existing contractor as a result of the parking enforcement award process. The Chief Executive commissioned an overarching fact-finding review of the procurement and subsequent litigation actions, settlement and costs associated with the challenge.

Steve Jorden highlighted that this had been a complex case, with a thorough investigation and the purpose today was to take the Committee through the key findings of the investigation.

Claire Taylor, Corporate Director for Customers and Organisational Development introduced the contents of the report, setting out the independent investigation of which she was requested to commission by the Chief Executive following an internal review completed in February 2020. Due to the seriousness of the issue, and the potential for staff disciplinary action, it was recommended by the Council's external legal advisors that that specialist advice be sought, from an investigator who had previously undertaken similar reviews on behalf of the LGA and NHS.

Claire Taylor advised that her role was to agree the scope and terms of reference for the review, remain objective and ensure that the independent investigator had full access to all documentation and administrative support for that work undertaken. The independent investigation was made more complex due to COVID-19 and the lockdown restrictions in place, however she acknowledged that given the complexity of the investigation it would always have been an extensive exercise.

Claire Taylor advised the independent investigatory work was concluded by June 2020 and set out the finding of the review including that the nature of the issues was systemic.

Steve Jorden followed by briefing Members on the key issues identified in the Marston Holdings Ltd case and the procurement and contract management review and improvements, this included a management action plan contained in Annex 1 and a thorough presentation detailing the Provision Cycle programme.

Officers responded to Members' queries as follows:

- The issue was communicated to the relevant Portfolio Holder and the Audit & Governance Committee would have been informed following the investigation.
- The Constitutional Review will allow Members to review the protocol on how information is shared with Members, however the recognition of the role of governance highlighted by this Committee will be fed back into this review.
- Full details of the key issues are outlined within the action plan, and Item 2 directly addresses the issues associated with procurement including guidance, management and governance, and the activity undertaken since the issue was raised.
- Companies will also challenge contracts they do not wish to lose and since this challenge, the Council has not had any other successful challenges.

Councillor Tim Bearder, spoke to the Committee, reiterating Members' comments stating that he failed to see how the Audit & Governance Committee could fulfil its

role in ensuring they provide a risk management system role to be able to offer advice and recommendations to the Council so that it might improve. He also stated that the Committee could not be assured that the matters had been addressed in detail and rectified for the future without seeing the full copy of the independent report.

Claire Taylor responded that the report is a full HR led investigation and therefore cannot be released due to the confidentiality of the individuals investigated.

Anita Bradley, Director of Law and Governance supported this response, adding that because the report involves witness statements, to release that information would likely be in breach of the duty of confidentiality and the Data Protection Act and could potentially bring more legal action on the Council. The correct information has been presented to this Committee whose role it is to take these points forward.

Councillor Jane Hanna, spoke to the Committee supporting the previous requests for access to the full report which would ensure greater trust moving forward if all facts were given full sight. She highlighted that, as a member of Full Council, she has responsibility for information and questioned why there is non-disclosure to Members or this Committee, which is inconsistent with Part 8.1 Clause 23 of the constitution which requires disclosure even if exempted if relevant to the matter in hand. She further questioned the timing of the payments and which clause in the constitution allowed these powers, and also the virement rules for spending outside of the budget and expressed concerns if other payments had been made without relevant visibility. She concluded by asking for the clause in the constitution used to make the payment, not because the payment had to be made but to make sure that these powers have not been more widely used and to request greater visibility moving forward?

Lorna Baxter, Director of Finance responding to queries raised during discussions regarding where the settlement was included on the Council website, advised that the settlement was reached commercially in confidence and included in the restricted papers. These sums were reflected in the Business Management and Monitoring Reports sent to Cabinet in February 2020 and the Outturn Report to Cabinet in May 2020. The legal costs were included within the Community Operations part of the Communities Directorate and reflected in both reports when the settlement had been paid.

Councillor Nick Carter, Chairman of the Audit & Governance Committee thanked Members for their patience throughout these discussions and advised that his Annual Report will include wording that this item has been through the Committee to be picked up again at a future date.

In agreeing the recommendations, the Committee noted that it was on the basis that the decision on Item 13 above had relevant to this item.

## **RESOLVED to**

- (a) Consider the management response and action plan resulting from the Marston Holdings Ltd case, as detailed in this report and Annex 1;**
- (b) Comment on the improvements highlighted in this paper, and;**

**(c) Note the thematic findings following the review.**

..... in the Chair

Date of signing .....

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## AUDIT and GOVERNANCE COMMITTEE – 2 JUNE 2021

### Audit Working Group Terms of Reference and Appointment of the Audit Working Group

#### Report by the Director of Finance

#### RECOMMENDATION

1. The committee is **RECOMMENDED** to:
  - a) **Approve the Audit Working Group Terms of Reference; and**
  - b) **Appoint the members and substitute members of the Audit Working Group.**

#### Introduction

2. The Audit Working Group Terms of Reference are reviewed annually by the Audit and Governance Committee.
3. The Committee last reviewed the Terms of Reference at the meeting on 3 March 2021, where they were included as an appendix to the Annual Report of the Audit and Governance Committee.
4. The Terms of Reference remain unchanged from 2020/21. Subject to the Terms of Reference being adopted by this Committee for 2021/22, appointments are required for the membership to the Audit Working Group.

#### Terms of Reference

5. The full Terms of Reference are attached as Appendix A to this report.
6. The Terms of Reference sets out the membership of the Group should be as follows:

“The independent member of the Audit and Governance Committee will chair the Group, together with four members of the Audit and Governance Committee, one of whom shall be the Chairman of the Committee. There will also be up to four named members of the Audit and Governance Committee who will deputise as required. Where the Chairman of the Audit and Governance Committee cannot attend the Audit Working Group, the Deputy Chair of the Audit and Governance Committee will be the named deputy.”

**LORNA BAXTER**  
Director of Finance

Contact: Officer: Sarah Cox, Chief Internal Auditor  
07393 001246 [sarah.cox@oxfordshire.gov.uk](mailto:sarah.cox@oxfordshire.gov.uk)

## **APPENDIX A**

### **AUDIT WORKING GROUP TERMS OF REFERENCE**

#### Membership

The Audit Working Group shall consist of:-

The independent member of the Audit and Governance Committee who will chair the Group, together with four members of the Audit and Governance Committee, one of whom shall be the Chairman of the Committee. There will also be up to four named members of the Audit and Governance Committee who will deputise as required. Where the Chairman of the Audit and Governance Committee cannot attend the Audit Working Group, the Deputy Chair of the Audit and Governance Committee will be the named deputy.

The Director of Finance and/or Assistant Director of Finance Officer, Director of Law and Governance (& Monitoring Officer), and the Chief Internal Auditor, or their representatives shall attend the Group meetings.

Members of the Group and their deputies should have suitable background and knowledge to be able to address satisfactorily the complex issues under consideration and should receive adequate training in the principles of audit, risk and control.

All members of the Audit and Governance Committee can attend Audit Working Group Meetings as observers.

#### Role

The Audit Working Group shall:

act as an informal working group of the Audit and Governance Committee in relation to audit, risk and control to enable the Committee to fulfil its responsibilities effectively in accordance with its terms of reference;

routinely undertake a programme of work as defined by the Audit and Governance Committee;

consider issues arising in detail as requested by the Audit and Governance Committee;

receive private briefings on any matters of concern;

at least annually hold a private session with the External Auditors not attended by any officers, and a further private session on Internal Audit matters with the Chief Internal Auditor only.

#### Reporting

The Director of Finance will report to the Audit and Governance Committee on matters identified by the Group following consultation with the Chairman and members of the Group.

## Meeting

The Group shall meet regularly in cycle with the Audit and Governance Committee. The Group may invite any officer or member of the Council to attend its meetings to discuss a particular issue and may invite any representative of an external body or organisation as appropriate.

## Confidentiality

The Group will meet in private to allow full and frank consideration of audit, risk and control issues.

All matters discussed and papers submitted for the meetings including minutes of the previous meeting must be treated as confidential. Papers will be circulated in advance to all members of the Audit and Governance Committee for information whether attending the Group or not.

Where any other member wishes to inspect any document considered by the Group and believes that s/he has a "need to know" as a County Councillor, the procedure in the Council's Constitution relating to Members Rights and Responsibilities (Part 9.3) shall apply.

Updated .....March 2021

Review Date.....March 2022

Officer Responsible:  
Sarah Cox, Chief Internal Auditor  
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## Divisions Affected - All

### AUDIT & GOVERNANCE COMMITTEE - 2 June 2021

#### Statement of Accounts 2020/21

Report by Director of Finance

#### RECOMMENDATION

1. The Committee is **RECOMMENDED** to
  - a) note the latest timetable for the 2020/21 Statement of Accounts and external audit
  - b) comment on the draft Narrative Report and Going Concern assessment that will form part of the Statement of Accounts

#### Executive Summary

2. This report sets out the latest position on the preparation of the 2020/21 Statement of Accounts including:
  - The latest timetable for the 2020/21 Statement of Accounts and external audit
  - The draft Narrative Report
  - The draft Going Concern Assessment

#### Timetable for 2020/21 Statement of Accounts

3. Following a period of consultation, the Ministry of Housing, Communities and Local Government (MHCLG) has published the Accounts and Audit (Amendment) Regulations 2021 which amend the Accounts and Audit Regulations 2015. These regulations set out the statutory timetable for the publication of the Council's unaudited accounts and completion of the external audit.
4. The amended regulations include an extension to the deadline for the completion of the external audit from 31 July to 30 September for two years relating to the 2020/21 and 2021/22 accounts. The deadline will be reviewed after that period and will include an evaluation of whether an extended deadline has improved the audit completion rate. While 2019/20 was an exceptional year, 40% of audits failed to meet the 2018/19 deadline of 31 July.

5. The amended regulations also remove the fixed period for public inspection of the accounts for 2020/21 which required draft accounts to be published by 31 May and instead require draft accounts to be published on or before 1 August. The amended regulations have been designed to provide flexibility, giving more time for the completion of the draft accounts where required but also enabling draft accounts to be published earlier and for audits to be completed in advance of the 30 September deadline.

### **Publication of the draft statement of accounts**

6. It is currently expected that the Council's draft accounts will be authorised by the Director of Finance for publication on or shortly after 7 June 2021. The draft Statement of Accounts and Annual Governance Statement will be published on the [Annual accounts and audit](#) page of the County Council's website. This will also mark the beginning of the period of public inspection which must last for 30 working days.
7. A notification of publication the draft accounts will be sent to members of the Audit and Governance Committee.

### **Noted omissions from the draft statement of accounts**

8. There are two areas where only incomplete information will be available in time for the publication of the draft accounts. These are:
  - Valuations of Property, Plant and Equipment relating to 17 Care Homes and;
  - Business Rate and Council Tax Collection fund values
9. Due to the specialist nature of Care Home valuations this work is being undertaken by a firm with particular expertise in this area and this has taken longer than originally anticipated. The draft accounts include the latest valuations for these properties which are dated 1 April 2017.
10. As a precepting authority, the Council relies on the billing authorities (City and District Councils) to provide the information relating to the Business Rate and Council Tax Collection funds. Billing authorities are required to submit their final figures for business rate collection to MHCLG at the end of each financial year. For 2020/21 the deadline for this submission has been extended from 30 April to 30 June 2021. As a result of this extension, not all councils have been able to provide the updated information for inclusion in the draft accounts. Where updated information has not been provided the 2019/20 figures will be used as an estimate for the draft accounts.
11. These areas will both be updated for the audited accounts. The changes will not impact on the position of the General Fund as they are purely accounting adjustments. This approach has been agreed with the external auditors.

### **External audit timetable**

12. The 2021/22 Audit Plans for the audit of the Council's accounts and Pension Fund accounts are elsewhere on the agenda.
13. The main external audit will commence on 7 June 2021. To avoid a prolonged period of audit, Officers will work with the external audit team to conclude the audit by the original statutory deadline of the 31 July. It may therefore be possible for the Audit & Governance Committee to approve the audited accounts at the meeting in July. If this can not be achieved, the accounts can be approved within the revised timeline at the meeting in September.

## **Narrative Statement**

14. The narrative statement opens the Statement of Accounts and is the Council's opportunity to 'tell the story' and illuminate the financial performance, as set out in the main financial statements, by including information about the Council's vision, structure, corporate plan and performance.
15. The content of the narrative report is prescribed by the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
16. The 2020/21 narrative statement includes performance information as set out in the March Business Management and Monitoring Report to 31 March 2021 which will be considered by Cabinet on 22 June 2021.
17. The narrative statement also includes a description of the main financial statements and the notes to the accounts including the Expenditure and Funding Analysis
18. The draft 2020/21 Narrative Statement forms Annex 1 to this report.

## **Going Concern Assessment**

19. The County Council's accounts are completed on a Going Concern basis, that is the assumption that on the assumption that the functions of the County Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.
20. The Code sets out as a matter of fact that local authority accounts must be prepared on a going concern basis. This is due to the economic and statutory environment in which local authorities operate which means that authorities cannot be dissolved without statutory prescription. Authorities are therefore not required to make an assessment of the authority's ability to continue as a going concern which would otherwise be required under International Accounting Standard (IAS) 1.
21. However, it is recognised that the going concern assumption prescribed in the Code does not preclude authorities experiencing challenges with liquidity and

financial sustainability. This was particularly relevant to the 2019/20 accounts with the uncertainty around income streams and exceptional costs incurred by local authorities as a result of the COVID-19 pandemic.

22. It is normal practice for external audit to review the basis of preparation of the accounts. In doing so, external auditors also place reliance on [Practice Note 10: Audit of financial statement of public sector bodies in the United Kingdom](#) issued by the Public Audit Forum (a consultative and advisory forum of the four national audit agencies in the UK designed to provide a focus for development and thinking about public audit). This also sets out that going concern issues can still arise in the public sector and may include situations where the public sector entity lacks funding for its continued existence.
23. For the 2019/20 accounts the external auditors took a more detailed approach to their review of the going concern assumption and required authorities to include additional disclosures within their accounts to evidence liquidity, financial sustainability and consideration of financial risk. This approach is also being taken for the 2020/21 audit.
24. Annex 2 sets out the draft going concern assessment which will be included within Note 1 (Accounting Policies) to the accounts to support the preparation of the accounts on a going concern basis.

## Legal Implications

25. The Council must ensure that arrangements are in place to comply with the Local Audit and Accountability Act 2014, Accounts and Audit Regulations 2015 as amended and statutory guidance, including the Code of Practice on Local Authority Accounting in the United Kingdom.

**LORNA BAXTER**  
Director of Finance

Annex: 

1. Narrative Report
2. Going Concern Assessment

Background papers: Nil

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07584174654, [Hannah.doney@oxfordshire.gov.uk](mailto:Hannah.doney@oxfordshire.gov.uk)

May 2021

## Introduction

The purpose of the Narrative Statement is to provide information on the Council, its main objectives and strategies and the principal risks it faces. It sets out information to help readers understand the Council's financial position and performance during 2020/21.

Oxfordshire County Council provides services to residents, businesses and communities across the whole county.

We are responsible for children's and adult social care, public health, support for education and families, highways, waste disposal, libraries and cultural services, fire and rescue and a range of community safety services.

We participate in and lead key partnerships that work to deliver housing and growth, environmental benefits, safer communities and improved health and wellbeing for all Oxfordshire residents.

With our partners at Cherwell District Council, we are developing an innovative new model of working in local government, focusing on delivering joined up approaches that maximise benefits for residents.

We use the learning from this partnership to improve our work with all of Oxfordshire's councils and other organisations.

## Responding to the COVID-19 Pandemic

COVID-19 has had a significant impact on the services we deliver and how we deliver them in 2020/21. The different ways in which we have responded to the pandemic are set out throughout this report.

In the early part of 2020, the council acted swiftly to establish an emergency response to support vulnerable residents, offer assistance to key partners and maintain essential frontline services in areas like education, social care and infrastructure delivery. At the same time, much of our work moved online. As the first wave of the virus began to impact Oxfordshire, our teams were heavily involved in activity to bring the virus under control and protect the

most vulnerable individuals – whether that be from the direct effects of the virus or from the impact of lockdown on people's health, wellbeing and financial security.

As lockdown measures eased in the summer, our focus switched towards managing the return of residents into the public realm and supporting businesses and other settings to help contain infection while maintaining economic activity. We worked to understand the impact of lockdown in areas such as educational attainment, children's social care and mental health, and put in place plans to support recovery.

From September, as the second wave of infection began to take hold, we put back in place provision such as direct support to those considered clinically extremely vulnerable to COVID-19, supporting them to shield and initiating a local contact tracing system to supplement the national effort for the hardest to reach cases. In the first five months since its launch, in October 2020, the team successfully completed contact tracing for just under 2,000 people. A countywide COVID secure team was also established, providing advice to local businesses to ensure they were compliant with new COVID-19 rules.

We worked in partnership with other councils and the voluntary and community sector to initiate emergency welfare schemes and new support for those eligible for free school meals. As the vaccination and symptom-free testing programmes grew in scale, the county council has played a central role in operational delivery and community outreach.

Throughout the pandemic, we have acted as a trusted source of information on public health matters, working with NHS and local authority colleagues to communicate information and guidance as widely as possible through our Stop the Spread campaign, and focusing our efforts on those groups less likely to respond to national messages. We have renewed and refined our partnership working arrangements with colleagues across public and private organisations and within the community and voluntary sector. Wherever practical, we have worked together to pool resources and ensure that the most appropriate organisations were enabled to deliver the best possible outcomes.

While the long-term impact of COVID-19 will take some time to become clear, we know that in areas such as health, inequality, deprivation and business support, the council will have a key role to play in supporting local communities and economic recovery for some time to come

## Vision for Oxfordshire

Oxfordshire County Council's ambition, as set out in our Corporate Plan, is for a county where local residents and businesses can flourish - a thriving Oxfordshire.



Our Corporate Plan 2020-24 set out our vision for thriving communities for everyone in Oxfordshire. It explained the priorities and focus for us to achieve our vision. It explained how we will realise our vision and how we measure progress through our robust performance management framework.

You can read more about our Vision and Corporate Plan on our website. [Our vision | Oxfordshire County Council Intranet](#)

- Vision
- Corporate Plan 2019-22:
- In February 2020 our Corporate Plan was updated. Our new corporate plan for 2020-24 is published here: <https://www.oxfordshire.gov.uk/sites/default/files/file/about-council/CorporatePlan2020.pdf>

Our core services in 2020/21 included:

- Children, Education and Families (including the safeguarding of children, looked after children, services to vulnerable children and young people and their families, adoption and fostering services and some education services)
- Adult Social Care (commissioning and providing services which keep adults safe and provide the support our residents need for independent living).
- Services for public health including mental health
- Highways maintenance and transport planning
- Strategic spatial planning including major infrastructure, inward investment and housing growth
- Strategic environmental management including carbon emissions reduction, energy efficiency and waste disposal
- Community safety including Fire and Rescue and Trading Standards
- Cultural Services including libraries, museums and the Music Service
- Coroners' and Registration services

These services are either provided directly by the Council or are commissioned from and delivered by other organisations. Most of these services are mandatory, meaning that the Council must provide them because it is under a statutory duty to do so.



## Our leadership and workforce

Our Constitution sets out the rules and procedures by which the council operates.

<https://www2.oxfordshire.gov.uk/cms/content/council-constitution>

The Council has 63 members (or ‘councillors’), elected by the public to represent a particular local area, or ‘Division’. Collectively they are responsible for the democratic structure of the council, overseeing our key policies and services and setting the council’s annual budget and capital programme. More information can be found on our website.

<https://www.oxfordshire.gov.uk/cms/public-site/about-your-council>

During 2020/21, the Leader of the Council was Cllr Ian Hudspeth. Cllr Hudspeth appointed a Cabinet, responsible for the key decisions to manage the Council’s business. Following the elections in May 2021, a new administration has been formed by the Oxfordshire Fair Deal Alliance with Cllr Liz Leffman elected Leader of the Council.

Details of current Cabinet members and their responsibilities can be found on our website.

<https://www2.oxfordshire.gov.uk/cms/content/cabinet>

Employees (‘officers’) support Cabinet and Council in their work and manage the Council’s services and operations. The Chief Executive (Yvonne Rees) leads the most senior group of officers, the Chief Executive’s Direct Reports (CEDR), who advise councillors on policy and implement councillors’ decisions.

As at 31 March 2021 the Council’s staff complement stood at 4126.93 FTE (full-time equivalent) posts(4,123.42 at 31 March 2020), representing 5,087 employees (5,079 at 31 March 2020). Most staff are structured into one of several directorates, each responsible for a group of services and functions in support of the Council’s Vision and Corporate Plan.

The Council works in close partnership with Cherwell District Council. We have continued to develop the partnership further during the year. The two councils share a Chief Executive and senior management team, and many officers work jointly across both councils. The partnership offers opportunities to join up services for residents and reduce the costs of providing services

We also work collaboratively with partners in the public, private and voluntary sector to achieve the best outcomes for our residents. Further details of how the Council works, both internally and with external partners, can be found in our Annual Governance Statement.

## Our performance

During 2020/21 common approaches to performance reporting, risk management and assurance were significantly enhanced to improve focus, consistency and cohesive business management across the Council. Directorates are responsible for setting their strategies and business objectives for the year ahead and the longer term, in support of ambitions and commitments set out in the Corporate Plan.

Throughout 2020/21 we have reported on each month’s performance to internal managers, councillors and the public. The monthly Business Management and Monitoring Reports bring together information on performance, finance and leadership risk, giving a balanced picture of how the Council is doing and providing audiences with greater insight into our business than in previous years.

The monthly reports describe performance in terms of a set of 27 indicators which most clearly demonstrate progress towards the outcomes in the Corporate Plan. The Council’s performance outturn for 2020/21 has been published in detail in our Business Management and Monitoring Report.

In our monthly reports we show the latest assessment of our 27 performance indicators. Most are given a Red, Amber or Green (RAG) rating, signifying

whether or not progress is on track. In deciding RAG ratings we consider data on current performance and an assessment of progress. The exceptions are a small number of indicators and outcomes for which a performance target is not appropriate, but which we include in reports to provide updates on activity in these important areas. At 31 March 2021 the 27 indicators were assessed as follows:

RAG	Count	%
Green	17	63%
Amber	9	33%
Red	0	0%
Not assessed – due to Covid-19	1	4%

## Risk Management

During 2020/21 we continued to strengthen our risk management activities. This helped us to ensure that we continued to identify and address any uncertainties relating to the achievement of our priorities. The Risk and Opportunities Management Strategy, is reviewed annually and captures the risks supporting the priorities in the corporate plan.

Leadership Risks – were reported to Cabinet in our monthly Business Management and Monitoring Reports. Leadership risks are those that are significant in size and duration and could impact on the performance of the Council as a whole, and in particular on its ability to deliver its strategic priorities.

Directorates and teams within the Council also maintained “operational” risk registers to ensure that individual services, projects or areas of business remained on course. Operational risks which become more severe can be escalated to the Leadership level for management.

## Our financial operating model

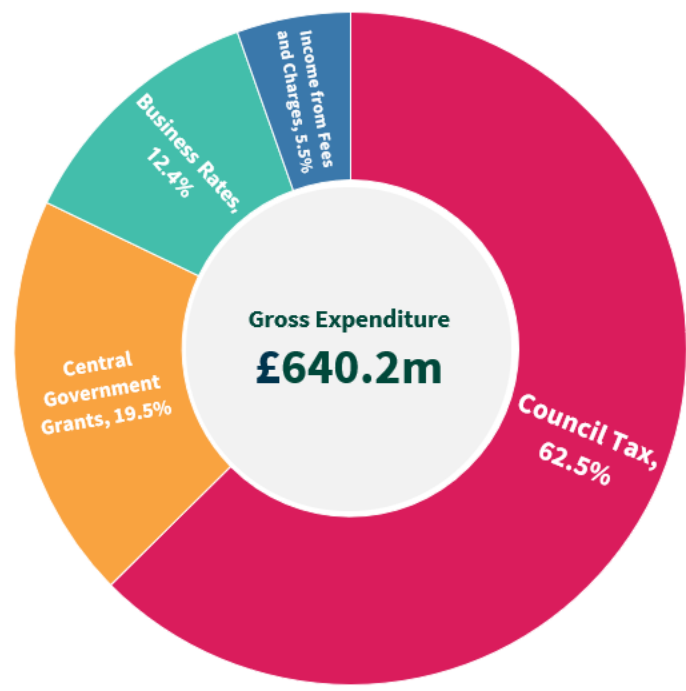
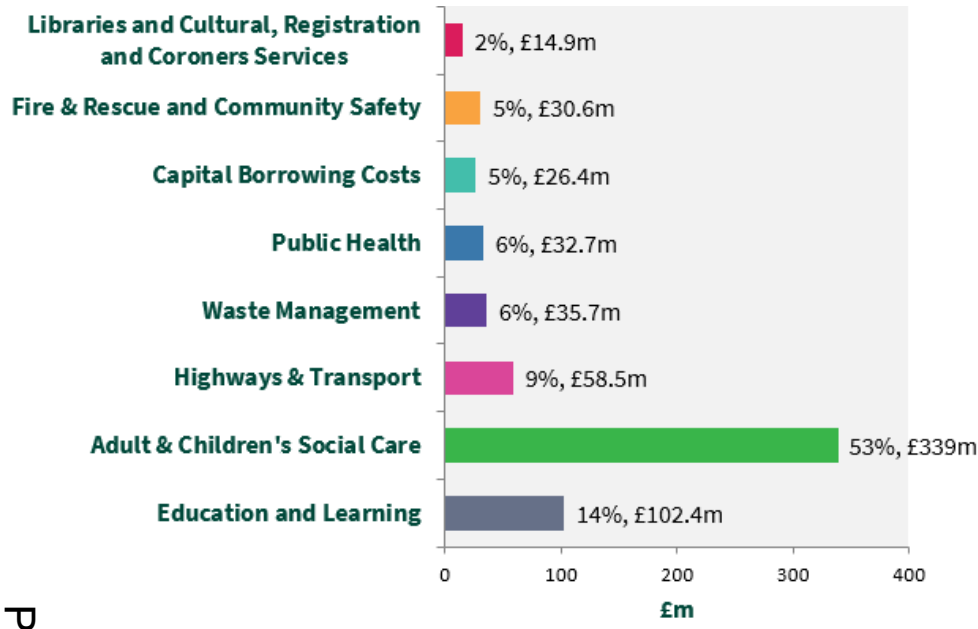
The Council sets a revenue budget, medium-term financial strategy (MTFS) and capital programme in the February preceding the start of the financial year. These are underpinned by a Financial Strategy, Capital & Investment Strategy, Treasury Management Strategy and a risk assessment of the level of general balances required. Construction of the budget and budget proposals are subject to challenge by the Council’s Leadership Team and the Director of Finance. Councillors have the opportunity to question and challenge the proposals through engagement sessions and member presentations. The Performance Scrutiny Committee scrutinises the budget proposals at its meetings in December and January before Cabinet propose the budget, MTFS and capital programme in January. Throughout the year, regular business management reports including financial monitoring are presented to Cabinet.

## Revenue spending plans for 2020/21

Our budget for the provision of services in 2020/21 and Medium Term Strategy Plan (MTFS) to 2023/24 was agreed by Council on 11 February 2020 alongside the Corporate Plan for 2020 – 24 for Thriving Communities for everyone in Oxfordshire. The budget set out plans for a net investment in services of £28.4m including £9.1m for measures to manage demand and £4.8m for invest to save proposals.

We planned to spend £640.2m (excluding schools) on delivering services in 2020/21. We spend £188.7m on running schools the funding for which comes directly from government.





We intended to finance £165.1m of our spending plan from specific and general government grants, contributions from other bodies, charging and interest income plus a contribution from reserves and balances. Therefore, our net operating budget totalled £475.1m.

The net operating budget was financed from: Business Rates (£75.1m); and Council Tax (£400.0m). Council tax for a Band D property was set at £1,527.44. This was a 3.99% increase from 2019/20.

The majority of the planning for the 2020/21 budget was completed well in advance of the discovery of the coronavirus. The World Health Organisation formally named the virus COVID-19 on 11 February, the same day that the budget was set. At that point there was little indication that the financial year would begin in a period of national lockdown which was announced by the Prime Minister on 23 March 2020.

The new financial year began on 1 April in an environment of significant uncertainty about additional costs and duties as a result of the pandemic, the impact on services, and the what level of additional funding would be available from central government.

The [Financial Monitoring Report to Cabinet in July 2020](#) noted that the COVID-19 pandemic was having a significant impact on the local government sector and had required authorities to commit expenditure that was outside of their agreed budgets and that councils were also experiencing significant losses in

income from fees and charges. It was estimated that the financial pressure arising from these factors in 2020/21 could be as significant as £50.9m for the Council.

At that point, the total funding received by the Council to meet the forecast pressure was £31.0m of which £30.7m was available to use in 2020/21 after £0.3m was applied in 2019/20. This created an estimated in year funding gap of up to 20.2m.

On [18 August 2020, Cabinet](#) agreed revisions to the budget that reprioritised £14.9m of Council resources towards managing the impact of COVID-19. The virements (budget movements) to enact the revised budget was approved by [Council on 8 September 2020](#).

Following the agreement of the in-year budget, additional funding was announced by the Government. This included a further tranche of general emergency grant funding (£3.9m) and the Sales, Fees and Charges Income Compensation Scheme (claim of £4.0m). This additional general funding, combined with other specific financial support for care providers, reduced the pressure on existing Council resources.

As the year progressed, it became clear that there will be a long-term impact of COVID-19 on Oxfordshire's residents and communities and the Council's services that extends beyond 31 March 2021.

The combination of increased funding and the revised profile of additional expenditure has created an underspend against the COVID-19 budget in 2020/21. The balance of £14.2m has been carried forward through reserves into 2021/22 to manage the ongoing financial impact of the pandemic.

## Revenue Financial year end position

### Revenue

2020/21 was dominated by the COVID-19 pandemic. This will continue to have a significant impact on the Council, our resources and our communities for

several years to come. Robust financial planning and business management and reporting remains key to maintaining essential service delivery and protecting the most vulnerable.

As set out in the table that follows there was a -£5.9m variation to directorate budgets at year end. This position includes the transfer of £14.2m to the COVID Reserve.

During the year, the Council received £67.2m of government grants of which, £24.4m were unringfenced and £42.8m ringfenced. Un-ringfenced COVID-19 funding available in 2020/21 totalled £53.5m which comprised the grants received in 2020/21 as well as £14.2m unringfenced COVID-19 support grant carried forward from 2019/20 and £14.9m reprioritised in the in year budget. This has been used to fund £39.3m of exceptional expenditure and lost income relating to COVID-19. As noted above, the balance of £14.2m will be placed in the COVID-19 reserve for use in 2021/22 and beyond.

Ringfenced grant funding of £42.8m was received in year of which £12.7m has been carried forward for use in future years reflecting the terms and conditions of the individual grants. Of the £12.7m carried forward £9.9m relates to the Contain Outbreak Management Fund.

Grant funding is set out in Notes 19 and 20 on [pages x and x](#).

As part of the MTFS agreed by Council on 11 February 2020 it was agreed that £4.6m would be transferred to general balances (County Fund) to increase balances to the risk assessed level. The Council underspend of £5.9 will also be added to general balances. This is set out in the Movement on General Balances table on the following page.

## Narrative Statement

	Original Budget £m	Final Budget £m	Actual Net Exp £m	Variation Final Bgt £m
<b>Directorates</b>				
Children's Services	130.674	133.911	130.472	-3.439
Adult Services	194.047	197.320	197.320	0.000
Public Health*	0.000	0.788	0.788	0.000
Environment and Place	64.261	63.542	65.504	1.962
Customers, Organisational Development & Resources	33.923	35.421	34.421	-0.956
Commercial Development, Assets & Investments	50.059	49.936	46.455	-3.518
	<b>472.964</b>	<b>480.901</b>	<b>447.096</b>	<b>-5.951</b>
<b>Strategic Measures</b>				
Capital Financing	24.077	24.077	23.218	-0.859
Interest on Balances	-10.449	-10.449	-9.287	1.162
Unringfenced Government Grants	-27.030	-44.018	-43.861	0.157
Contingency	4.879	0.414	0.053	-0.361
Insurance Recharge	2.942	2.942	2.942	0.000
COVID-19 Budget	0.000	21.042	21.042	0.000
Transformation Savings	-5.464	0.000	0.000	0.000
Public Health Saving Recharge	-0.425	0.000	0.000	0.000
	<b>-11.470</b>	<b>-5.992</b>	<b>-5.893</b>	<b>0.099</b>
<b>Contributions to/from Corporate Reserves</b>				
Contributions to (+) / from (-) reserves	9.641	-3.774	-3.774	0.000
	<b>9.641</b>	<b>-3.774</b>	<b>-3.774</b>	<b>0.000</b>
<b>Funding</b>				
Business Rates Top-up Grant	-40.546	-40.546	-40.546	0.000
Business Rates	-35.125	-35.125	-35.224	-0.099
Council Tax Requirement	-391.445	-391.445	-391.445	0
Council Tax Surpluses	-8.610	-8.610	-8.610	0
	<b>-475.726</b>	<b>-475.726</b>	<b>-472.825</b>	<b>-0.099</b>
<b>Overall Surplus (-) / Deficit (+)</b>	<b>-4.591</b>	<b>-4.591</b>	<b>-10.542</b>	<b>-5.951</b>
<b>Planned Contribution to balances</b>	<b>4.591</b>	<b>4.591</b>	<b>0.000</b>	<b>-4.591</b>
<b>Overall Increase (-) / Decrease (+) in General Balances</b>	<b>0.000</b>	<b>0.000</b>	<b>-10.542</b>	<b>-10.542</b>

\*Public Health is funded by the Public Health Grant. Under the terms and conditions of the grant any variation should be transferred to the Public Health Reserve.

General balances at 31 March 2021 were £34.6m compared to a risk assessed level of £23.4m for 2020/21. The risk assessed level for 2021/22 is £28.8m as set out in the Medium-Term Financial Strategy (MTFS) approved by Council in February 2021.

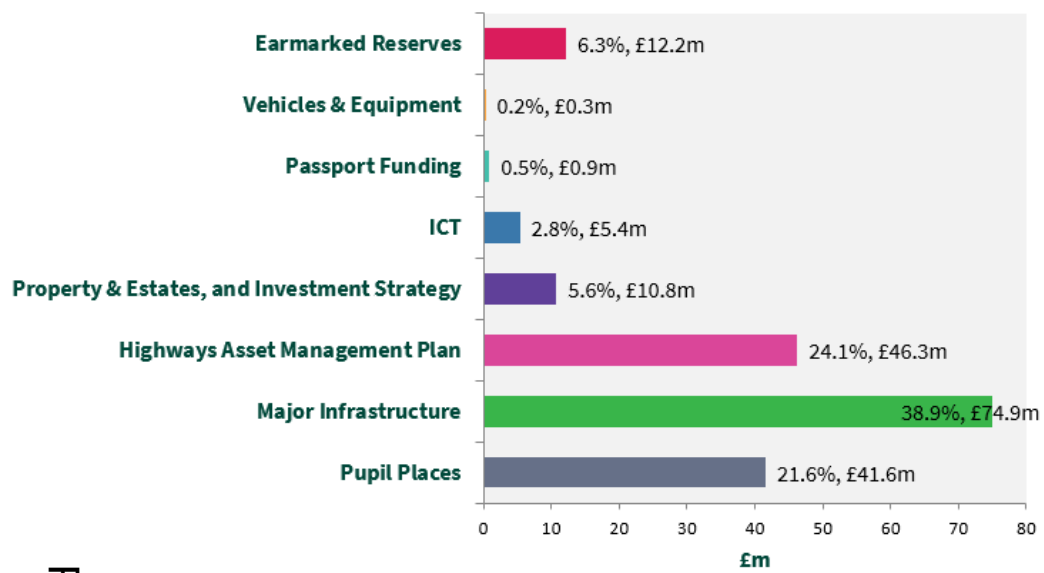
Movement on General Balances	£m
<b>General Balances at 1 April 2020</b>	<b>24.1</b>
Budgeted Contribution to Balances	4.6
Directorate Underspend	5.9
<b>General Balances at 31 March 2021</b>	<b>34.6</b>
Risked Assessed Level of General Balances 2020/21	23.4
<b>Level of surplus balances</b>	<b>11.2</b>

Further detail will be set out in Annex C of the [Business Management Report to Cabinet on 22 June 2021](#).

## Capital

### Capital investment plans for 2020/21

The original capital programme for 2020/21 was agreed by Council in February 2020. This set out an expected programme of spend of £192.4m. This included £41.6m on providing additional school places and new schools in housing developments and £40.9m on major infrastructure projects, including large road improvement schemes, and road maintenance.

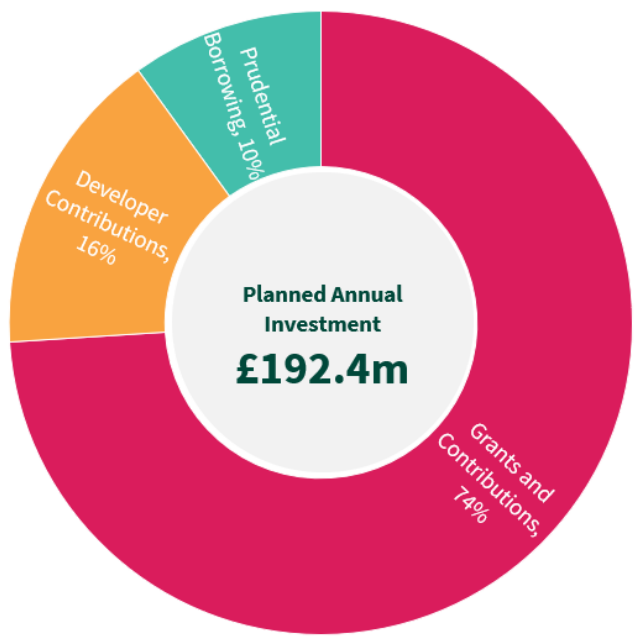


The capital programme is updated throughout the year to reflect the latest delivery profiles and cost estimates for each programme. The capital programme for 2020/21 was last updated in February 2021. At that point in the year, expected spend to 31 March 2021 totalled £174.1m. Actual capital programme expenditure for the year 2020/21 was £152.5m. The variation between the latest programme and the final outturn is £21.6m (-12%). In all cases, the reduction in spend in 2020/21 was due to a reprofiling of delivery timelines with planned spend moving into 2021/22.

The Capital Programme expenditure of £152.5m was funded by £123.5m of capital grants and other external contributions, £28.2m of developer contributions, £0.6m of revenue contributions and £0.2m of prudential borrowing.

Further detail will be set out in the [Capital Outturn Report to Cabinet on 22 June 2021](#).

We planned to fund this from grants and contributions (£142.2m), developer contributions (£30.8m) and prudential borrowing (£19.4m).



**Financial Outlook**

The 2021/22 Earmarked Reserves and General Balances Policy Statement increased the risk assessed level of General Balances from £23.4m to 28.8m for 2021/22. This is equivalent to 6.0% of the net revenue budget for 2021/22 and equates to around three weeks net expenditure. The increase in the assessed risk from 2020/21 was primarily due to the changing risk environment that has emerged as a result of the COVID-19 pandemic. Taking into account the 2020/21 year end position, at the start of the year, general balances are £34.6m; compared to the risk assessed levels of £28.8m. This means that the County Council remains in a strong position to withstand the ongoing financial uncertainty created by the COVID-19 pandemic and the wider pressures on local government budgets.

The ongoing and longer term impacts of the COVID-19 pandemic beyond 2021/22 are still not clear. However, it is prudent to plan for reduced income from council tax and business rates as well as a potential on-going increase in

demand in adults and children’s social care. During 2020/21, a £6.0m reserve was created to help manage shortfalls in the Collection Fund over future years. Assumptions are continually updated for the latest information and will be used to inform the Budget and Business Planning Process for 2022/23.

The Government has not yet confirmed that the delayed implementation of the Review of Relative Needs and Resource and 75% business rates retention will be implemented in 2022/23, however it is unlikely that this will be achievable within the timeframe. This creates ongoing uncertainty about future funding arrangements. The first Budget and Business Planning Report for 2022/23 will be considered by Cabinet in October 2021 and will provide an update on the latest funding assumptions for both 2022/23 and the MTF5 to 2026/27.

Further detail of the 2021/22 financial monitoring position will be set out in Annex C of the [Business Management Report to Cabinet on 22 June 2021](#).

## Basis of Preparation and Presentation

The Council produces a Statement of Accounts to provide transparency about the Council’s finances, to give assurance to stakeholders that public money has been properly accounted for and that the financial standing of the council is on a secure basis.

The accounts (including notes to the accounts) for 2020/21 are set out on pages **14 to 93**.

The accounts bring together all the Council’s financial statements for the year 2020/21 and show its financial position as at 31 March 2021. The statements reflect both revenue and capital elements for the General Fund, including transactions relating to joint operations with other local authorities and health bodies.

The County Council is the administering authority for the Oxfordshire Local Government Pension Fund. As such, the Fund accounts are included as a disclosure within the Council’s accounts.

The Statement of Accounts must provide a ‘true and fair’ view of the Council’s financial position at 31 March 2021 and of its income and expenditure for the 2020/21 financial year. When preparing the accounts consideration is given to the materiality of information. Disclosure of information is made where omitting it could be misleading or inhibit the true and fair view.

The strong and prudent level of general balances, combined with Earmarked Reserves (Note 44), are sufficient to ensure that the County Council is able to continue to meet the cost of the provision of services over the medium term. Therefore, the accounts are prepared on a ‘going-concern’ basis.

## Financial Statements

Comprehensive Income and Expenditure Statement	Shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.
Movement in Reserves Statement	Shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into ‘useable reserves’ (ie those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’ (for example the Revaluation Reserve which holds unrealised gains and losses or the Capital Adjustment Account which holds adjustments between the accounting basis and funding basis under regulations). This statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance in the year following those adjustments.
Balance Sheet	The balance sheet shows the values as at 31 March 2021 of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority, analysed between ‘useable’ and ‘unusable’ reserves.

Cash Flow Statement	This summarises the changes in cash and cash equivalents during 2020/21. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.
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## Notes to the accounts

The Notes to the Accounts explain and provide further detail behind the key items and entries within the Financial Statements. They consist of:

Expenditure and Funding Analysis – Compares the net expenditure as funded by taxation with the accounting cost of providing services as presented in the Comprehensive Income and Expenditure Statement.

- Notes to the Accounts – Which explain some of the key items and disclosures in the accounts.
- Pension Fund Accounts – These are the accounts of the Pension Fund, which is operated for employees of the County Council, district councils and other bodies.
- Statement of Responsibilities for the Statement of Accounts – Outlines the key responsibilities in respect of the accounts, together with statements from the Chief Finance Officer and Chairman of the Audit & Governance Committee.

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (ie government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## Annual Governance Statement

The Audit & Governance Committee approved our Annual Governance Statement (AGS) at its [meeting on 2 June 2021](#). The AGS summarises the governance framework that has been in place in the Council during 2020/21. The Statement demonstrates that we have effective arrangements for the governance of the Council and that we are satisfied that we have a robust system of internal control.

## Conclusion

For 2020/21 as a whole, through careful planning and management, Oxfordshire County Council has ensured that we achieved or made good progress with our priorities for the year, despite COVID-19. We have delivered vital services to the residents and communities of Oxfordshire and have reached the end of the business year in a robust financial position.

This will serve us well in meeting the long-term challenges created by the COVID-19 pandemic 2021/22 and beyond as we continue to work towards our vision of Thriving Communities for Everyone in Oxfordshire.

## **Going Concern**

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the County Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The County Council carried out a detailed assessment of future financial risks, including the likely ongoing impact of COVID-19 on its financial position and performance when setting the budget and medium term financial strategy. For the purposes of the assessment, the 'foreseeable future' has been interpreted as the medium term financial planning horizon.

This assessment included consideration of the following:

### **In relation to the ongoing impact of COVID-19:**

- Loss of income on a service by service basis due to temporary closures and reduction in demand, and the potential for increased collection losses and reduced tax base growth.
- Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to and recovery from the crisis such as additional demand in the Multi Agency Safeguarding Hub (MASH).
- Changes to government policy, e.g. guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- The impact on the County Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.

### **In relation to the Council's priorities and funding:**

- The estimated impact of changes to funding including the Review of Relative Needs and Resource and 75% business rates retention.
- Managing the impact of rising need, caused by population growth and increased complexity, for adult and children's social care through demand management approaches, more effective pathways and delivering better value for money.
- Deliver the ambitions of the climate change action plan in the context of the opportunities for a green recovery.
- Focus on reducing health inequalities, healthy place shaping and working to reduce inequality and support those most vulnerable in our society.

### **In relation to the overall impact of the above:**

- The impact on the County Council's cash flow and treasury management, including availability of liquid cash (as at May 2021 the Council has around £103m instant access investments), impact on investment returns, and availability of external borrowing if required.
- The estimated overall impact on the County Council's General Fund and Earmarked Reserves balances.



This assessment informed the budget for 2021/22, medium term financial strategy to 2025/26, and ten-year Capital Programme to 2030/31 with mitigations and investments included to address risks and issues highlighted in the assessment. The budget was approved by Council on 9 February 2021.

Included in the budget for 2021/22 is £11.9m of general grant funding to manage the ongoing impact of COVID-19. This will be utilised as needed in 2021/22 and beyond alongside the £6.0m Collection Fund Reserve and £14.2m COVID-19 Reserve.

The County Council's General Fund balance as at 31 March 2021 is £34.6m (subject to year-end adjustments and audit). The Council's prudent minimum balance on the General Fund is £28.8m representing 6% of the net revenue budget. It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term and to manage the impact of future changes to funding. This is consistent with the average of 5.5% for County Councils as per CIPFA's Financial Resilience Index 2021.

The Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For this reason and the reasons set out above, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future. In addition, management are not currently aware of any significant information that is available for the period beyond 2025/26 that would indicate a contrary conclusion.



Division(s): N/A

## AUDIT & GOVERNANCE COMMITTEE – 2 JUNE 2021

### TREASURY MANAGEMENT ANNUAL PERFORMANCE 2020/21

#### Report by Director of Finance

#### RECOMMENDATION

1. **The Audit & Governance Committee is RECOMMENDED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2020/21.**

#### 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 2020/21 and sets out the position as at 31 March 2021.
3. Performance for the financial year 2020/21 is measured against the original budget set in February 2020.
4. 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."
5. At 31 March 2021, outstanding debt totalled £335m and average interest paid on long-term debt was 4.46%. The Council repaid £6m of maturing PWLB loans during the year. No new borrowing was arranged during 2020/21. The Council's debt financing position for 2020/21 is shown in Annex 1.
6. The Treasury Management Strategy for 2020/21 was based on an average base rate forecast of 0.75%, with heavily weighted risk to the downside. The budget for interest receivable assumed that an average interest rate of 0.85% would be achieved. The average daily balance of temporary surplus cash invested in-house was £402m in 2020/21.
7. The Council achieved an average in-house return for the year of 0.84%, producing gross interest receivable of £3.357m. In relation to external funds, gross distributions totalling £3.947m were realised in year, bringing total investment income to £7.304m. This compares to budgeted investment income of £6.258 m, giving a net overachievement of £1.046m.
8. At 31 March 2021, the Council's investment portfolio of £529.326m comprised £379.300m of fixed term deposits, £49.339m at short term notice in money market funds and £100.687m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 March 2021.

## Treasury Management Activity

### Debt Financing & Maturing Debt

9. The Strategy for Long Term Borrowing included the option to fund new or replacement borrowing up to the value of £100m 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.
10. 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 2020/21.
11. At 31 March 2021, the authority had 53 PWLB loans totalling £285.383m, 9 LOBO<sup>1</sup> loans totalling £45m and one £5m money market loan. The average rate of interest paid on PWLB debt was 4.55% 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 4.44%. The Council's debt portfolio as at 31 March 2021 is shown in Annex 1.
12. The Council repaid £6m of maturing PWLB loans during the year. The weighted average interest rate payable on the matured loans was 3.342%. The outturn for Interest Payable in 2020/21 was £15.0m which is in line with the budget in the Medium Term Financial Plan. The details are set out in Annex 2.

### Investment Strategy

13. In line with the CIPFA Code of Practice on Treasury Management, the Council prioritised Security and liquidity of cash 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 2020/21. The Council continuously monitored credit quality information regarding the institutions on the Council's approved Lending List.
14. As a result of an in year balances analysis, the long term lending limit for 2020/21 was increased from £200m to £215m, whilst the limit for 2021/22 was increased from £150m to £200m. The increase in limit allowed the Council to take further advantage of inflated intra local authority deposit rates.
15. During 2020/21, because of financial uncertainty caused by the COVID-19 pandemic, the Council limited the exposure to banks by lending to local authorities. At 31 March 2021 the Council had £72.3m 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.
16. 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

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

secure short to medium term cash at a borrowing cost that is lower than available through PWLB or other money market participants.

17. The weighted average maturity of all deposits at 31 March 2021, including money deposited in short-term notice accounts, was 225 days (compared with 193 days during 2019/20). The increase in weighted average maturity was a strategic decision to take advantage of inflated inter local authority longer term lending rates, against a bank drop of lowering inter bank lending rates.
18. The 2020/21 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.
19. In March 2021 the TMST explored options for longer dated investments. Increasing the exposure to Strategic investments was not deemed appropriate as the certainty of cash levels, above the current exposure, for the 10 year time horizon was not satisfied. An analysis of shorter dated and cash plus funds was undertaken, however the returns were not favourable. It was decided to review these funds in the first half of 2021/22.

### **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 2020/21, 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 £401.675m in 2020/21. The Council achieved an average in-house return for the year of 0.84%, producing gross interest receivable of £3.357m. 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 2020/21 the average three month LIBID rate was 0.14%. The Council's average in-house return of 0.84% exceeded this benchmark by 0.70%. The average in-house return was 0.01% lower than the rate of interest of 0.85% assumed in the budget. The budgeted forecast was for UK Base Rate to remain at 0.75% for 2020/21. However, as a result of the COVID-19 pandemic, official bank rate was lowered to 0.10% in March 2020 and remained at that level for the duration of 2020/21.
23. The Council operates a number of instant access call accounts and money market funds to deposit short-term cash surpluses. During 2020/21 the average balance held on instant access was £83.819m.

24. In-house deposits produced gross interest receivable of £3.357m for the year. Gross distributions from pooled funds totalling £3.947m were realised in year, bringing total investment income to £7.304m. This compares to budgeted investment income of £6.258m, giving a net overachievement of £1.046m. 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.
25. At 31 March 2020 the total value of pooled fund investments was £89.974m, which represented 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. As at 31 March 2021, the portfolio had regained the losses and was valued at £100.687m.
26. At 31 March 2021, the Council's investment portfolio of £529.326m comprised £379.300m of fixed term deposits, £49.339m at short term notice in money market funds and £100.687m in pooled funds with a variable net asset value. Annex 4 provides an analysis of the investment portfolio at 31 March 2021.
27. 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 2021 is shown in Annex 4.

### **Prudential Indicators for Treasury Management**

28. 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**

29. The Council's treasury management advisors Link Treasury Services 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 2021 are included in Annex 6.
30. The benchmarking results show that the Council was achieving higher than average interest on deposits at 31 March 2021 compared to the benchmark group. This has been achieved by placing deposits over a longer than average duration with institutions that are of higher than average credit quality.

### **Financial and Legal Implications**

31. This report is mostly concerned with finance and the implications are set out in the main body of the report.

**LORNA BAXTER**  
Director of Finance

Contact officer: Tim Chapple  
Telephone Number: 07917 262935  
June 2021

## OXFORDSHIRE COUNTY COUNCIL DEBT PROFILE 31 MARCH 2021

LOAN No	£m	RATE %	Start Date	End Date	LOAN No	£m	RATE %	Start Date	End Date
479915	1.684	6.625	30/11/1995	26/03/2023	492376	10.000	4.200	01/11/2006	31/03/2037
479916	0.316	6.625	30/11/1995	26/03/2023	492386	2.000	4.350	03/11/2006	01/04/2027
480364	1.000	6.250	29/12/1997	31/12/2022	492535	10.000	4.200	29/11/2006	30/06/2037
480867	2.000	5.625	23/04/1998	30/04/2023	492561	6.000	4.250	07/12/2006	30/06/2032
480915	2.000	5.625	30/04/1998	22/05/2023	492598	8.000	4.500	18/12/2006	30/04/2027
483469	3.000	4.250	12/11/1999	22/11/2024	492599	6.000	4.500	18/12/2006	31/05/2027
483659	2.000	4.250	25/11/1999	30/04/2025	492786	10.000	4.850	23/01/2007	31/01/2022
487777	4.000	4.650	16/05/2003	01/05/2028	492789	6.000	4.500	24/01/2007	31/01/2032
488204	8.000	5.000	27/10/2003	01/11/2023	492990	6.000	4.450	06/03/2007	31/03/2032
488562	7.650	4.700	19/03/2004	16/03/2030	492807	4.000	4.250	25/01/2007	30/06/2053
488563	1.733	4.700	19/03/2004	16/03/2030	493378	4.000	4.900	11/06/2007	30/06/2032
488989	6.000	4.850	16/08/2004	13/07/2030	493638	6.000	4.550	02/08/2007	30/09/2052
489168	6.000	4.700	22/10/2004	01/03/2030	493803	4.000	4.650	23/08/2007	20/09/2032
489287	6.000	4.600	22/11/2004	01/04/2032	493822	6.000	4.450	23/08/2007	30/09/2053
489429	6.000	4.550	02/12/2004	01/06/2032	493960	4.000	5.050	03/10/2007	31/10/2022
489856	5.000	4.600	06/05/2005	01/05/2033	494069	6.000	4.500	21/11/2007	30/09/2052
490105	5.000	4.450	23/05/2005	01/12/2033	494171	6.000	4.480	27/12/2007	31/03/2052
491669	4.000	4.450	23/05/2006	14/06/2026	494200	6.000	4.420	04/01/2008	31/03/2057
491948	5.000	4.650	16/08/2006	31/12/2026	494703	6.000	4.460	04/08/2008	13/07/2058
491957	4.000	4.500	18/08/2006	31/12/2031	494747	10.000	4.390	15/08/2008	26/03/2058
491958	4.000	4.500	18/08/2006	30/09/2031	497549	5.000	4.190	08/07/2010	14/06/2054
491959	2.000	4.600	21/08/2006	30/04/2027	LOBO 06	5.000	4.290	27/04/2005	27/04/2021
491960	10.000	4.600	21/08/2006	30/09/2026	LOBO 07	5.000	4.500	27/04/2005	27/04/2021
492021	5.000	4.350	25/08/2006	22/11/2031	MML08	5.000	3.950	31/05/2005	29/05/2065
492063	5.000	4.450	31/08/2006	31/03/2028	LOBO 09	5.000	3.680	23/11/2005	23/11/2021
492064	5.000	4.450	31/08/2006	30/04/2027	LOBO 10	5.000	3.800	31/07/2006	31/07/2019
492088	4.000	4.350	04/09/2006	02/03/2032	LOBO 11	5.000	3.840	31/07/2006	29/07/2021
492117	4.000	4.450	07/09/2006	02/03/2037	LOBO 12	5.000	3.825	02/10/2006	02/10/2022
492367	2.000	4.700	25/10/2006	31/12/2021	LOBO 13	5.000	4.010	02/10/2006	02/10/2024
492369	10.000	4.650	31/10/2006	31/12/2021	LOBO 14	5.000	3.820	31/08/2006	31/08/2023
492371	13.000	4.500	31/10/2006	31/12/2026	LOBO 15	5.000	3.720	21/09/2006	13/10/2022
492375	10.000	4.200	01/11/2006	31/12/2036	<b>Total</b>	<b>154.383</b>			

## Annex 2

### Long-term debt Maturing 2020/21

#### Public Works Loan Board: Loans Maturing in 2020/21

<b>Date</b>	<b>Amount £m</b>	<b>Rate %</b>	<b>Repayment Type</b>
01/06/2020	5.0	3.540	Maturity
13/07/2020	0.5	2.350	EIP
31/07/2020	0.5	2.350	EIP
<b>Total</b>	<b>6.0</b>		

#### 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 2020/21**

**Lending limits & maturity limits changed from 1 April 2020**

**There were no changes to the Lending List During 2020/21**

## OXFORDSHIRE COUNTY COUNCIL INVESTMENT PORTFOLIO 31/03/2021

## Fixed term deposits held at 31/03/2020

Counterparty	Principal Deposited (£)	Maturity Date
Spelthorne Borough Council	£4,000,000.00	02-Jul-21
London Borough of Croydon Council	£10,000,000.00	25-Oct-21
London Borough of Croydon Council	£5,000,000.00	06-Dec-21
Warrington Borough Council	£10,000,000.00	14-Oct-21
Dudley Metropolitan Borough Council	£10,000,000.00	01-Jul-22
Dudley Metropolitan Borough Council	£5,000,000.00	03-Jan-23
Cambridgeshire County Council	£5,000,000.00	09-Jan-23
Dudley Metropolitan Borough Council	£5,000,000.00	12-Oct-22
Wokingham Borough Council	£5,000,000.00	10-Feb-22
Wokingham Borough Council	£5,000,000.00	23-Mar-22
London Borough of Islington Council	£5,000,000.00	21-May-21
Northumberland County Council	£5,000,000.00	30-Jan-23
Peterborough City Council	£5,000,000.00	29-Apr-22
Dudley Metropolitan Borough Council	£5,000,000.00	08-Nov-22
Worcestershire County Council	£7,500,000.00	03-Mar-23
Thurrock Council	£5,000,000.00	01-Apr-21
Thurrock Council	£5,000,000.00	01-Apr-21
Slough Borough Council	£10,000,000.00	01-Apr-21
Rotherham Metropolitan Borough Council	£5,000,000.00	01-Apr-21
Gloucester City Council	£5,000,000.00	07-Apr-21
Police and Crime Commissioner for Lancashire	£5,000,000.00	22-Apr-21
Slough Borough Council	£5,000,000.00	26-Apr-21
Wokingham Borough Council	£5,000,000.00	26-Apr-21
Wokingham Borough Council	£5,000,000.00	28-Apr-21
Uttlesford District Council	£5,000,000.00	19-Jun-23



<b>Counterparty</b>	<b>Principal Deposited (£)</b>	<b>Maturity Date</b>
Blaenau Gwent County Borough Council	£3,000,000.00	10-Jul-23
Staffordshire Moorlands District Council	£3,000,000.00	31-Jul-23
Kingston Upon Hull City Council	£7,000,000.00	04-May-21
Liverpool City Council	£5,000,000.00	15-Apr-21
Liverpool City Council	£5,000,000.00	30-Apr-21
Rotherham Metropolitan Borough Council	£5,000,000.00	09-Jun-21
Plymouth City Council	£5,000,000.00	23-Apr-21
Liverpool City Council	£5,000,000.00	28-Apr-21
West Dunbartonshire Council	£6,000,000.00	21-Jun-21
Liverpool City Council	£5,000,000.00	21-Jun-21
Cherwell District Council	£5,000,000.00	15-Jul-22
Rotherham Metropolitan Borough Council	£5,000,000.00	23-Jun-21
Lancashire County Council	£5,000,000.00	17-May-21
Lancashire County Council	£5,000,000.00	21-May-21
Brentwood Borough Council	£5,000,000.00	16-Jun-21
Spelthorne Borough Council	£10,000,000.00	30-Jun-21
Spelthorne Borough Council	£10,000,000.00	08-Jul-21
Police & Crime Commissioner for Nottinghamshire	£10,000,000.00	14-Jul-21
West Dunbartonshire Council	£5,000,000.00	21-Jul-21
Lancashire County Council	£5,000,000.00	21-Jul-21
Kingston Upon Hull City Council	£5,000,000.00	07-Sep-21
Blackburn with Darwen Borough Council	£5,000,000.00	01-Sep-21
Plymouth City Council	£5,000,000.00	15-Sep-21
Plymouth City Council	£5,000,000.00	28-Sep-21
Police and Crime Commissioner for Merseyside	£5,000,000.00	15-Jul-21
Thurrock Council	£5,000,000.00	09-Nov-21
Moray Council	£5,000,000.00	30-Nov-21
Fife Council	£5,000,000.00	14-Dec-21
Aberdeenshire Council	£5,000,000.00	05-Jan-22

<b>Counterparty</b>	<b>Principal Deposited (£)</b>	<b>Maturity Date</b>
Aberdeenshire Council	£5,000,000.00	06-Jan-22
Fife Council	£5,000,000.00	12-Nov-21
West Dunbartonshire Council	£5,000,000.00	22-Oct-21
Plymouth City Council	£5,000,000.00	08-Nov-21
North Lanarkshire Council	£5,000,000.00	10-Jan-22
South Ayrshire Council	£3,000,000.00	22-Feb-24
Cambridgeshire County Council	£5,000,000.00	17-Feb-22
Surrey County Council	£5,000,000.00	06-Sep-21
London Borough of Barking & Dagenham Council	£5,000,000.00	23-Aug-21
London Borough of Brent Council	£5,000,000.00	23-Feb-22
West Dunbartonshire Council	£5,000,000.00	25-Feb-22
London Borough of Southwark Council	£10,000,000.00	24-Jan-22
London Borough of Haringey Council	£5,000,000.00	28-Feb-22
Gravesham Borough Council	£5,800,000.00	15-Mar-24

## Money Market Funds

<b>Counterparty</b>	<b>Balance at 31/03/20 (£)</b>	<b>Notice period</b>
Aberdeen Liquidity Fund	2,005,000.00	Same day
Goldman Sachs Sterling Liquid Fund	5,000.00	Same day
Deutsche Sterling Liquid Fund	355,291.44	Same day
Federated Sterling Liquidity Funds	25,000,577.48	Same day
Legal & General Sterling Liquidity Fund	21,681.16	Same day
CCLA Public Sector Deposit Fund	5,000,496.86	Same day
Morgan Stanley Sterling Liquid Fund	2,000,000.00	Same day
<b>Total</b>	<b>34,388,046.94</b>	

## Notice / Call Accounts

<b>Counterparty</b>	<b>Balance at 31/03/20 (£)</b>	<b>Notice period</b>
Santander Call Account	14,948,787.34	Same day
Barclays Current	9,325.51	Same day
Handlesbanken	2,376.69	Same day
<b>Total</b>	<b>14,960,489.54</b>	

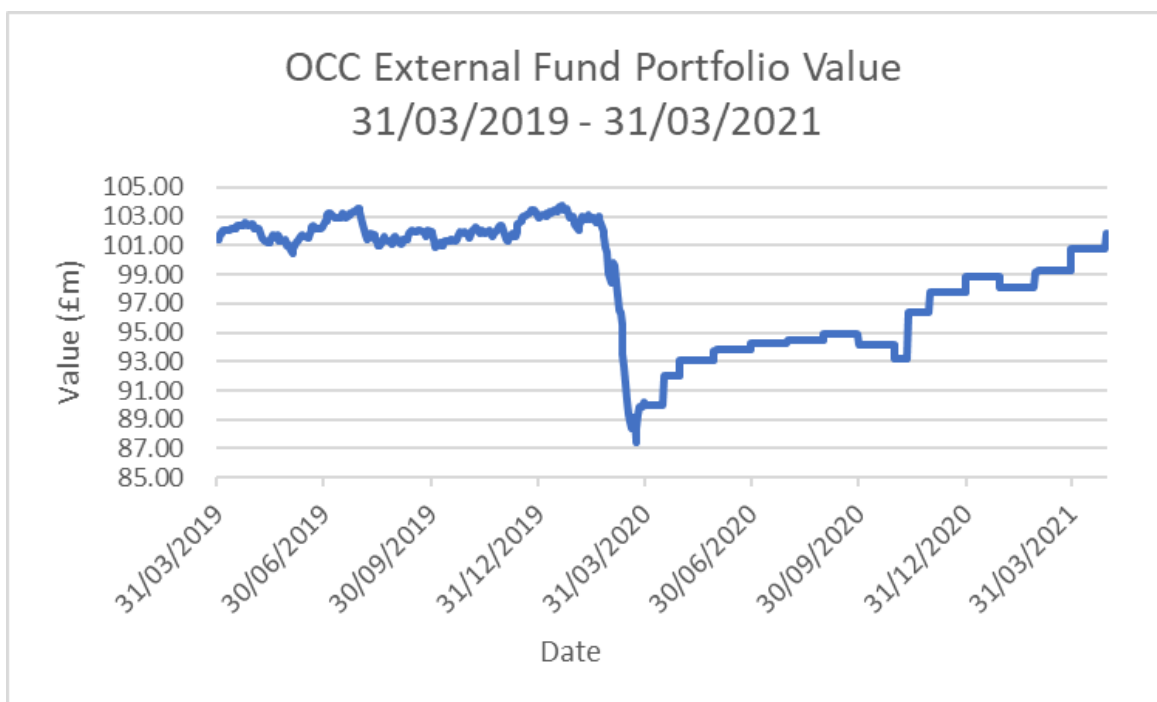
## Strategic Bond Funds

Fund	Balance at 31/03/20 (£)	Notice period
Threadneedle strategic bond fund (income)	13,795,046.06	4 days
Threadneedle Global Equity Income Fund	14,263,076.25	4 days
Kames Diversified Income	10,152,586.53	4 days
Ninety One Diversified Income	9,961,311.54	4 days
M&G Strategic Corporate Bond Fund	13,031,392.99	4 days
Schroder Income Maximiser	10,294,839.09	4 days
CCLA Diversified Income Fund	4,924,380.30	4 days
<b>Total</b>	<b>76,422,632.76</b>	

## Property Funds

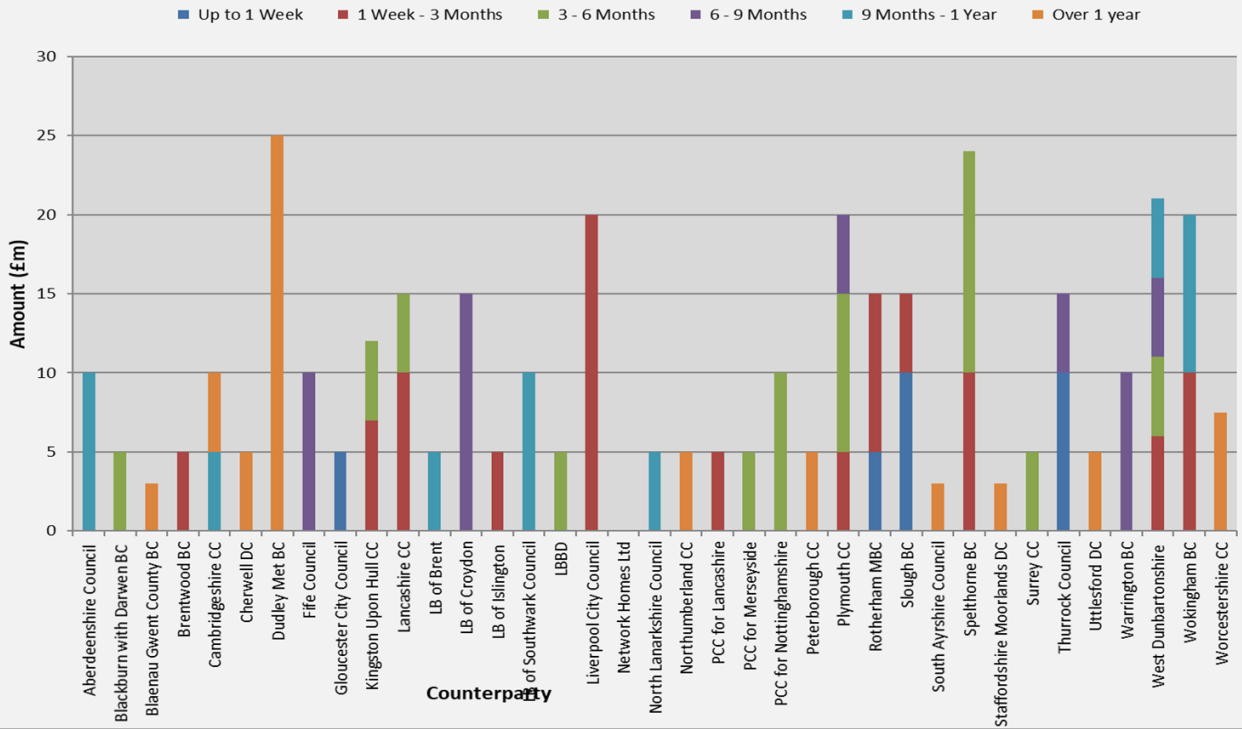
Fund	Balance at 31/03/20 (£)	Notice period
CCLA Local Authorities Property Fund	24,264,254.95	Monthly
<b>Total</b>	<b>24,264,254.95</b>	

## Strategic Pooled Fund Portfolio Value Over Time

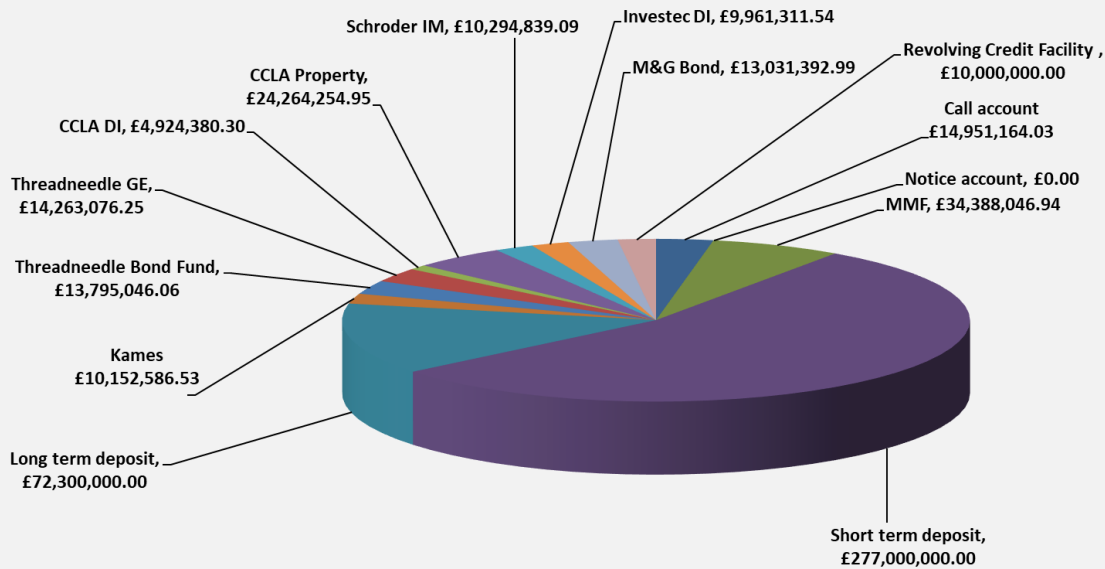


Investment portfolio risk profile at 31/03/21

## Fixed Deposit Maturity Profile as at 31.03.2021



## Total Combined Portfolio as at 31.03.2021



## Prudential Indicators Outturn 31 March 2021

### **Authorised and Operational Limit for External Debt**

Authorised Limit for External Debt	£410,000,000
Operational Limit for External Debt	£390,000,000
Actual External Debt at 31 March 2019	£335,382,618

### **Fixed Interest Rate Exposure**

Fixed Interest Net Borrowing limit	£350,000,000
Actual at 31 March 2020	£158,882,618

### **Variable Interest Rate Exposure**

Variable Interest Net Borrowing limit	0
Actual at 31 March 2021	- £9,727,083.22

### **Sums Invested over 364 days**

Total sums invested for more than 364 days maximum limit	£215,000,000
Actual sums invested for more than 364 days at 31 March 2021	£72,300,000

### **Maturity Structure of Borrowing at 31/03/20**

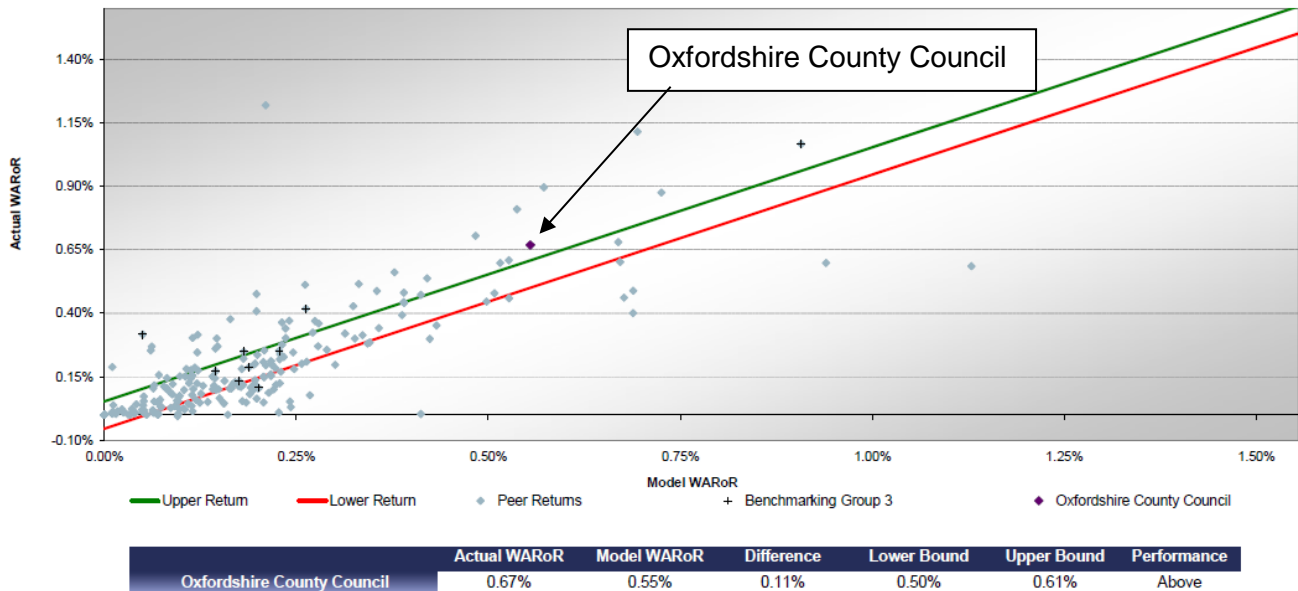
	<b>Limit %</b>	<b>Actual %</b>
From 01/04/18		
Under 12 months	0 - 20	17.00
12 – 24 months	0 - 25	5.07
24 months – 5 years	0 - 35	5.07
5 years – 10 years	5 - 40	25.46
10 years +	50 - 95	47.41

The Prudential Indicators 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 01/04/20 on loans still outstanding at 31/03/21.

# Benchmarking

## Weighted Average Return

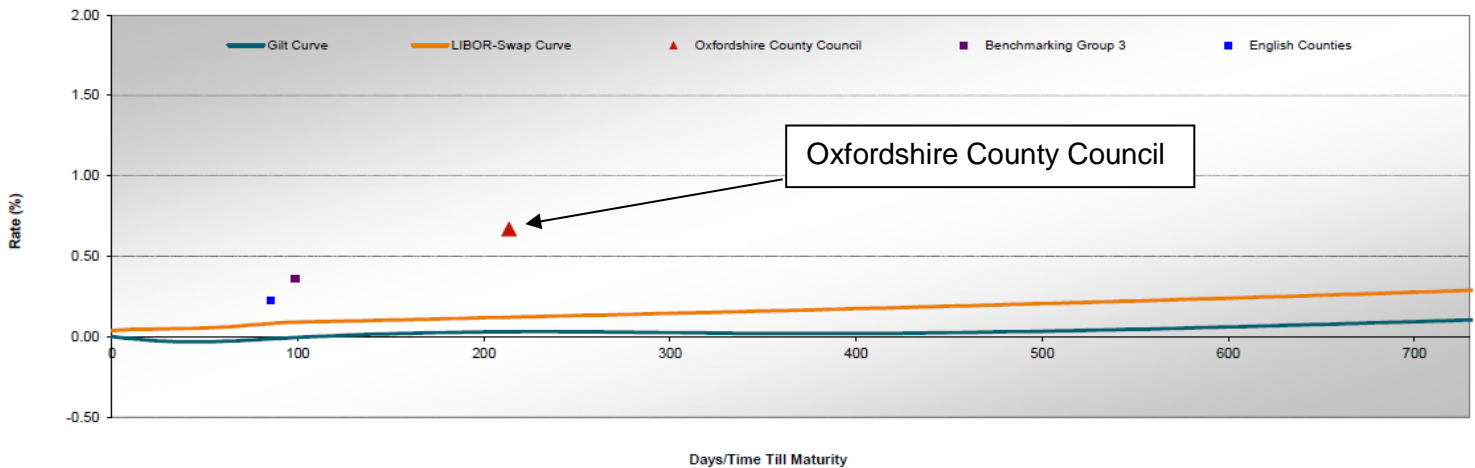
Population Returns against Model Returns



Oxfordshire County Council achieved a higher interest rate compared to the average achieved by Link Treasury Services clients, as at 31/03/2021.

## Return Compared to Risk Free Rate

Returns Comparable Against the Risk-Free Rate and LIBOR Curve



Oxfordshire County Council achieved a higher interest rate compared to the average achieved by Link Treasury Services clients, as at 31/03/2021, by increasing the weighted average duration of deposits.

## AUDIT & GOVERNANCE COMMITTEE – 2 JUNE 2021

### ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR

#### RECOMMENDATION

1. The committee is **RECOMMENDED** to consider and endorse this annual report.

#### Executive Summary

2. This is the annual report of the Chief Internal Auditor, summarising the outcome of the Internal Audit work in 2020/21, and providing an opinion on the Council's System of Internal Control. The opinion is one of the sources of assurance for the Annual Governance Statement.
3. The basis for the opinion is set out in paragraphs 23 – 36, followed by the overall opinion for 2020/21 which is that there is **satisfactory** assurance regarding Oxfordshire County Council's overall control environment and the arrangements for governance, risk management and control. It is positive to note that the number of audits reporting significant weak internal controls has reduced over the last few years from five in 2018/19, two in 2019/20 and one in 2020/21.

#### Background

4. The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards 2017 (PSIAS), which sets out proper practice for Internal Audit, requires the Chief Internal Auditor (CIA) to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies and effectiveness of the internal control environment, comprising risk management, control and governance.
5. Oxfordshire County Council's Internal Audit service conforms to the PSIAS 2017.
6. The Accounts and Audit Regulations 2015 require the Annual Governance Statement (AGS) to be published at the same time as the Statement of Accounts is submitted for audit and public inspection. In order for the Annual Governance Statement to be informed by the CIA's annual report on the system of internal control, this CIA annual report has been produced for the May Audit and Governance Committee meeting. This is the full and final CIA annual report.

## **Responsibilities**

7. It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.
8. The role of Internal Audit is to provide management with an objective assessment of whether systems and controls are working properly (financial and non-financial). It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
  - The Council can establish the extent to which they can rely on the whole system; and,
  - Individual managers can establish how reliable the systems and controls for which they are responsible are.

## **Internal Control Environment**

9. The PSIAS require that the internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
10. The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:
  - Achievement of the organisation's strategic objectives;
  - Reliability and integrity of financial and operational information;
  - Effectiveness and efficiency of operations and programmes;
  - Safeguarding of assets; and
  - Compliance with laws, regulations, policies, procedures and contracts.
11. In order to form an opinion on the overall adequacy and effectiveness of the control environment the internal audit activity is planned to provide coverage of financial controls, through review of the key financial systems, and internal controls through a range of operational activity both within Directorates and cross cutting, including a review of risk management and governance arrangements. The Chief Internal Auditor's annual statement on the System of Internal Control is considered by the Corporate Governance Assurance Group when preparing the Council's Annual Governance Statement.

## **The Audit Methodology**

12. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The annual self-assessment against the standards is completed by the Chief Internal Auditor. It is a requirement of the PSIAS for an external assessment of internal audit to be completed at least every five years. This was undertaken by Cipfa 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”

13. The Monitoring Officer conducted a survey of Senior Management on the effectiveness of Internal Audit. The results from this survey were presented to the March 2019 Audit & Governance Committee meeting. The conclusion from the survey was that management find the internal audit service effective in fulfilling its role. The next survey is planned for 2021/22.
14. The Internal Audit Strategy and Annual Plan for 2020/21 was presented to the May 2020 Audit and Governance Committee. The Committee then received quarterly progress reports from the CIA, including summaries of the audit findings and conclusions. The Audit Working Group also routinely received reports from the Chief Internal Auditor, highlighting emerging issues and for monitoring the implementation of management actions arising from internal audit reports.
15. The Internal Audit Plan, which is subject to continuous review, identified the individual audit assignments. The activity was undertaken using a systematic risk-based approach. Terms of reference were prepared that outlined the objectives and scope for each audit. The work was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence in forming an overall opinion on the adequacy and effectiveness of the internal control framework.
16. Internal Audit reports provide an overall conclusion on the system of internal control using one of the following ratings:
  - GREEN There is a strong system of internal control in place and risks are being effectively managed.
  - AMBER There is generally a good system of internal control in place and the majority of risks are being effectively managed. However, some action is required to improve controls.
  - RED The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.
17. In appendix 1 to this report there is a list of all completed audits for the year showing the overall conclusion at the time audit report was issued, and the current status of management actions against each audit, (based on information provided by the responsible officers).
18. To provide quality assurance over the audit output, audit assignments are allocated to staff according to their skills and experience. Each auditor has a designated Audit Manager or Chief Internal Auditor to perform quality reviews at four stages of the audit assignment: the terms of reference, file review, draft report and final report stages.

## **The Audit Team**

19. During 2020/21 the Internal Audit Service was delivered by an in-house team, supported with the specialist area of IT audit. From April 2020 under a joint working arrangement the team also provided the Internal Audit Service to Cherwell District Council. This has enabled us to build a more sustainable team with the skills and capacity resilience to help embrace current and future challenges. The audit management team strongly believe that working as an in-house internal audit function in any organisation drives an increased quality of output, as not only do the in-house team members have a good strategic and operational understanding of the organisation, but also have an ongoing commitment to organisational improvement and adding real value.
20. To be able to provide the joint service across Oxfordshire County Council and Cherwell District Council, additional resources were agreed by CEDR (Chief Executive Direct Reports) for Internal Audit and Counter Fraud. We have undertaken several recruitment campaigns during the year and successfully recruited to Senior Auditor and Assistant Auditor posts. We also now have recruited to the dedicated Counter Fraud posts.
21. Throughout the year the Audit and Governance Committee and the Audit Working Group were kept informed of staffing issues and the impact on the delivery of the Plan.
22. It is a requirement to notify the Audit and Governance Committee of any conflicts of interest that may exist in discharging the internal audit activity. There are none to report for 2020/21.

## **OPINION ON SYSTEM OF INTERNAL CONTROL**

### **Basis of the Audit Opinion**

23. The 2020/21 plan has not been fully completed. There has been some delay at the end of the year with the completion of fieldwork, mainly due to additional work required to certify additional grants received in respect of Covid-19 funding and also extra time required to complete some audit fieldwork and testing remotely. There is one audit (Order of St Johns) that is still at exit meeting/draft report stage, the results of this audit have been included within the annual opinion for 2020/21. The executive summary for this outstanding report will be included within the next Internal Audit quarterly update to the committee.
24. The plan is intended to be dynamic and flexible to change. 22 audits were undertaken. Since the last report of amendments to the plan at the January Audit & Governance Committee meeting, there have been a couple of further amendments, 2 audits have been deferred to the 2021/22 plan (Client Charging and Payments to Providers) and this work has been replaced with 3 additional grants that have required review and certification. These amendments are recorded in appendix 1, with the 2020/21 plan update.

25. The completed internal audit activity and the monitoring of audit actions through the action tracker system enable the Chief Internal Auditor (CIA) to provide an objective assessment of whether systems and controls are working properly. In addition to the completed internal audit work, the CIA also uses evidence from other audit activity, including counter-fraud activity, and attendance on working groups e.g. Corporate Governance Assurance Group.
26. In giving an audit opinion, it should be noted that assurance can never be absolute; however, the scope of the audit activity undertaken by the Internal Audit Service is sufficient for reasonable assurance, to be placed on their work.
27. A summary of the work undertaken during the year, forming the basis of the audit opinion on the control environment, is shown in Appendix 1.
28. Of the 22 audits undertaken for 2020/21, one was graded as RED; SEND. In 2019/20, two audits were graded as Red and in 2018/19 five were graded Red.
29. The overall opinion for each audit, highlighted in Appendix 1, is the opinion at the time the report was issued. The internal audit reports contain management action plans where areas for improvement have been identified, which the Internal Audit Team monitors the implementation of by obtaining positive assurance on the status of the actions from the officers responsible. The current status of those actions is also highlighted in appendix 1, for each audit. Reports on outstanding actions have been routinely reported to Directorate Leadership Teams, CEDR and the Audit Working Group. The Chief Internal Auditor's opinion set out in below takes into account the implementation of management actions.
30. 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). Due to the onboarding of three new partners, since 2019/20 the assurance arrangements were amended. The Hampshire Partnership/IBC commissioned Ernest and Young (EY) to undertake a Service Organisation Controls review under International Standard on Assurance Engagements (ISAE 3402). (This provides a framework for reporting on the design and compliance with control objectives related to financial reporting. In addition to this Partners can separately take a view on any additional risk-based pieces of assurance work that could be commissioned from SIAP covering any core elements of the control environment.
31. The ISAE 3402 report covering both the design and operating effectiveness of the internal control environment for 2020/21 has been shared with the Director of Finance and the Chief Internal Auditor. This report provides assurance on the operation and effectiveness of internal controls across; Purchase to Pay, Order to Cash, Cash & Bank, HR & Payroll and IT General Controls. The report concludes that the controls related to the control objectives were suitably designed and operated effectively, with no exceptions noted.

32. The anti-fraud and corruption strategy remains current and relevant. In 2020/21 the Audit & Governance Committee have been updated on reported instances of potential fraud. Most of these are minor in nature. Work has been undertaken to address the control weaknesses identified in each area identified to reduce the possibility or reoccurrence.
33. Internal Audit continue to manage the National Fraud Initiative data matching exercise which is completed once every two years. Key matches are investigated, and results are reported to the Audit & Governance Committee in the quarterly updates.
34. It should be noted that it is the responsibility of management to operate the system of internal control; not internal audit's responsibility. Furthermore, it is management's responsibility to determine whether to accept and implement recommendations made by internal audit or, alternatively, to recognise and accept risks resulting from not taking action. If the latter option is taken by management, the Chief Internal Auditor would bring this to the attention of the Audit and Governance Committee.
35. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.
36. In arriving at our opinion, we have taken into account:
- The results of all audits undertaken as part of the 2020/21 audit plan;
  - The results of follow up action taken in respect of previous audits;
  - Whether or not any priority 1 actions have not been accepted by management - of which there have been none;  
(Priority 1 = Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management. Priority 2 = Significant issue that requires prompt action and improvement by the local manager)
  - The effects of any material changes in the Council's objectives or activities;
  - Whether or not any limitations have been placed on the scope of Internal Audit – of which there have been none.
  - Assurance provided by ISAE 3402 report, covering both the design and operating effectiveness of the Hampshire Partnership/IBC internal control environment.
  - Corporate Lead Assurance Statements on the key control processes, that are co-ordinated by the Corporate Governance Assurance Group (of which the Chief Internal Auditor is a member of the group), in preparation of the Annual Governance Statement.

## Chief Internal Auditors Annual Opinion

In my opinion, for the 12 months ended 31 March 2021, 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, we have worked with management to agree appropriate corrective action and timescale for improvement.

This opinion will feed into the Annual Governance Statement which will be published alongside the Annual Statement of Accounts.

Oxfordshire County Council's Internal Audit service conforms to the Public Sector Internal Audit Standards (2017)

See Appendix 2 for definitions of overall assurance opinion.

### Audits completed since last report to A&G Committee

37. The outcomes of the audits, including a summary of the key findings are reported quarterly to the Audit and Governance Committee. The summaries of the audits completed since the last report (January 2021) are attached as appendix 3;

- IT Asset Management
- IT Web Portals
- Payroll
- Troubled Families – claim 3
- Childrens Education System Implementation
- Covid Expenditure
- Music Service
- Childrens – Management of Placement Vacancies
- Pensions Administration
- Family Solutions Plus
- Risk Management
- AMHP (Adult Mental Health Practitioners)

The following audit is still to be completed and is currently at exit meeting / draft report stage. The outcomes of this audit are included within the annual opinion; the executive summary of the report once finalised, will be presented in the next internal audit quarterly update to committee

- Order of St Johns Contract

## Internal Audit Performance

38. The following table shows the performance targets agreed by the Audit and Governance Committee and the actual 2020/21 performance.

39. Performance in achieving the target date for the exit meeting for each assignment has been impacted upon because of Covid-19 pressures. This is something we will continue to focus on and improve. It is pleasing to report that performance for the issue of draft and final reports has improved since last year. We are also pleased to report the significant improvement with implementation of management actions, which normally is reported at between 65-70%, this has increased to a 79% implementation rate and the leadership team (CEDR) are committed to improving this further. Our customer satisfaction questionnaires continue to provide positive feedback.

Measure	Target	Actual Performance 2020/21 – as at 12/05/2021
Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the Audit Manager, no more than three times the total audit assignment days	50% of the audits met this target. 2019/20 61% 2018/19 69% 2017/18 60%
Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	85% of the audits met this target. 2019/20 74% 2018/19 82% 2017/18 95%
Elapsed time between issue of draft report and the issue of the final report	15 Days	80% of the audits met this target. 2019/20 74% 2018/19 85% 2017/18 92%
% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2021.	74% of the plan was completed by the end of April 2021 (including grant certification work). 2019/20 70% 2018/19 100% 2017/18 100%

<p>% of agreed management actions implemented within the agreed timescales</p>	<p>90% of agreed management actions implemented</p>	<p>As at 12 May 2021: 569 actions being monitored on the system.</p> <ul style="list-style-type: none"> <li>• 79% implemented</li> <li>• 13% not yet due</li> <li>• 6% partially implemented</li> <li>• 2% overdue</li> </ul>
<p>Customer satisfaction questionnaire (Audit Assignments)</p>	<p>Average score &lt; 2</p> <p>1 - Good 2 – Satisfactory 3 – Unsatisfactory in some areas 4 – Poor</p>	<p>Average score was 1.06</p> <p>2019/20 1.17 2018/19 1.07 2017/18 1.03</p>
<p>Directors satisfaction with internal audit work</p>	<p>Satisfactory or above</p>	<p>The review of the effectiveness of internal audit is undertaken by the Monitoring Officer - results of this was reported to the March 2019 Audit &amp; Governance Committee – Satisfactory. Next review planned for 2021.</p>

Sarah Cox, Chief Internal Auditor, May 2021

Background papers: None

Contact Officer: Sarah Cox, Chief Internal Auditor.

**APPENDIX 1 - Overall conclusion and management action implementation status of 20/21 audits**

<b>Audit</b>	<b>Status</b>	<b>Conclusion</b>	<b>No of Mgmt Actions Agreed</b>	<b>Reported implementation status as at 12/05/2021</b>
<b>Cross Cutting</b>				
Covid-19 funding audit <ul style="list-style-type: none"> <li>- Test and Trace</li> <li>- Temporary place of rest</li> <li>- School Transport</li> <li>- Early Years</li> </ul>	Final Report	Amber	17	2 reported as implemented, 15 not yet due
<b>Communities (now Environment &amp; Place)</b>				
Highways Contract Management	Final Report	Amber	12	9 reported as implemented, 2 being implemented and 1 with no response
<b>Customers &amp; OD (now includes Resources)</b>				
Music Service	Final Report	Amber	39	8 reported as implemented, 31 not yet due
Risk Management	Final Report	Amber	14	14 not yet due
<b>IT</b>				
ICT Incident Management	Final Report	Amber	8	7 reported as implemented, 1 not yet due
ICT Disaster Recovery Planning	Final Report	Amber	11	9 reported as implemented, 2 superseded
ICT Asset Management	Final Report	Amber	10	5 reported as implemented, 5 not yet due



ICT Web Portals	Final Report	Amber	9	5 reported as implemented, 4 not yet due
<b>Finance</b>				
Payroll	Final Report	Amber	11	8 reported as implemented, 3 not yet due
Pensions Administration	Final Report	Green	2	2 not yet due
<b>Childrens</b>				
Management of Placement Vacancies	Final Report	Amber	9	9 not yet due
Family Solutions Plus	Final Report	Green	2	2 not yet due
Troubled Families Claim 1 Claim 2 Claim 3	All three claims – completed and signed off	n/a	0	n/a
Childrens Education System Implementation	Final Report	Amber	15	6 reported as implemented, 8 not yet due and 1 due
Childview System – IT Application	Final Report	Amber	11	8 reported as implemented, 3 due
SEND	Final Report	Red	41	24 reported as implemented, 12 not yet due and 5 being implemented
Carterton Community College	Final Report	Amber	20	17 reported as implemented, 3 being implemented
<b>Adults</b>				
Order of St Johns Contract	Exit meeting / Draft Report	TBC	TBC	TBC

Approved Mental Health Professionals Team	Final Report	Amber	10	3 implemented and 7 not yet due
<b>Grant Certification</b>				
<ul style="list-style-type: none"> <li>• Better Broadband Programme (2018/19 financial year) – completed June 2020</li> <li>• Better Broadband Programme (2019/20 financial year) – completed June 2020</li> <li>• Local Authority Bus Subsidy (Revenue) Grant 2019/20, No 31/3644 – completed September 2020</li> <li>• Disabled Facilities Capital Grant 2019/20 – completed October 2020</li> <li>• Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) Grant 2019/20, No 31/3693 – completed September 2020</li> <li>• Local Transport Capital Block Funding (National Productivity Investment Fund) Grant 2019/20, No 31/3689 – completed September 2020</li> <li>• Covid-19 Emergency Active Travel Fund Grant Determination (2020-21): No 31/5099 – completed March 2021</li> <li>• Additional Dedicated Home to School and College Transport Section 31 Grant S31/5137, S31/5268 and 31/5370 – completed April 2021</li> <li>• Travel Demand Management 31/5127 – completed May 2021</li> </ul>				

**Amendments to 2020/21 OCC Internal Audit Plan (since last update to A&G – Jan 2021)**

<p><b>Deferred</b> – Adults – Payments to Providers</p>	<p>Deferred to 21/22 at the request of Assistant Director of Finance and Deputy Director – Adults. The new Social Care Finance and Systems team became operational at the end of November 2020, this included the new Payments and Systems Data Team that saw teams from Finance, Adult Social Care (ASC) and Children, Education &amp; Families (CEF) consolidated into a single service to manage the recording and payments to ASC and CEF providers. Whilst bringing the team together has been positive and has consolidated all the financial activity as intended, this has coincided with a unexpected increase in workload coupled with the transition for the new team being quite difficult. Some of this is related to Covid-19 activity. The consequence is an effect on the overall performance of the team, including some delays in payments to providers. This has been escalated to Senior Management, who as a result have requested the audit is deferred to 2021/22 so the focus of the team can be on the development of an action plan and resource needed, and to ensure the team are able to prioritise dealing with payments and provider queries.</p>	<p>Included within new plan for 2021/22</p>
<p><b>Deferred</b> – Adults – Client Charging</p>	<p>Deferred to 2021/22 – the audit testing was not completed by the end of April due mainly to additional Covid-19 grant certification work that has had to be undertaken, as a requirement of those individual grant conditions. The audit fieldwork is continuing, and the audit will be finished during May/June.</p>	<p>Included within new plan for 2021/22</p>
<p><b>Addition</b> – Grant Certification work</p>	<p>3 additional grants required certification:                      Covid-19 Emergency Active Travel Fund Grant Determination (2020/21):                      No 31/5099                      Additional Dedicated Home to School and College Transport Section 31 Grant S31/5137, S31/5268 and 31/5370                      Travel Demand Management 31/5127</p>	<p>Completed as part of 2020/21 plan</p>

## **APPENDIX 2**

Overall annual opinion – definitions based upon framework recommended by Institute of Internal Auditors.

### **Substantial**

*There is a sound framework of control operating effectively to mitigate key risks, which is contributing to the achievement of business objectives.*

- no individual audit engagement graded as “red” or significant “amber”
- occasional medium risk rated weaknesses identified in individual audit engagements although mainly only low/efficiency weaknesses
- internal audit has confidence in managements attitude to resolving identified issues.

### **Satisfactory**

*The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met.*

- medium risk rated weaknesses identified in individual audit engagements
- isolated high risk rated weaknesses identified for isolated issues
- no critical risk rated weaknesses were identified
- internal audit is broadly satisfied with management’s approach to resolving identified issues.

### **Limited**

*The control framework is not operating effectively to mitigate key risks. A number of key controls are absent or are not being applied to meet business objectives.*

- significant number of medium and/or critical risk rated weaknesses identified in individual audit engagements
- isolated critical and/or high risk rated weaknesses identified that are not systemic
- internal audit has concerns about managements approach to resolving identified issues.

### **No Assurance**

*A control framework is not in place to mitigate key risks. The organisation is exposed to abuse, significant error or loss and/or misappropriation. Objectives are unlikely to be met.*

- serious systemic control weaknesses identified through aggregation of individual audit engagements
- significant number of critical and/or high risk rated weaknesses identified for isolated issues
- internal audit has serious concerns about managements approach to resolving identified issues.

## APPENDIX 3

### Summary of Completed 2020/21 Audits since last reported to the Audit & Governance Committee - January 2021.

#### IT Asset Management 2020/21

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
Corporate Policy	R	0	2
Procurement	A	1	2
Inventory Management	A	0	1
Hardware Disposal	A	0	4
		1	9

Opinion: Amber		
Total: 10	Priority 1 = 1	Priority 2 = 9
Current Status:		
Implemented	5	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	5	

Formally documented corporate policies are not in place for all areas of IT asset management, such as procurement and inventory management. The ICT Disposal of Equipment Policy is dated April 2018 and missed its annual review in 2019. The gaps in formal policies means there is a risk that there are no agreed standards for managing IT assets, including defined roles and responsibilities.

All new IT equipment should be procured centrally through IT Services. There are isolated cases where service areas procure their own IT equipment, but they have to contact IT Services to have it connected to the network. The new starter process is used to identify

and request new IT equipment and is also used to request access to corporate business systems, such as LAS (Adult Social Care) and LCS (Children's Social Care). However, our testing identified that such requests do not have to be approved at a management level and hence there is a risk of unauthorised access being granted to systems that hold sensitive personal data. This could result in a data breach and financial penalties under the Data Protection Act 2018.

New IT equipment was previously procured under a framework agreement, which has now expired, and tendering for a new supplier has been delayed because of the Covid-19 pandemic. Since the lockdown period began in March 2020, there has been a significant national increase in the demand for portable equipment such as laptops. The existing framework supplier was unable to handle requests for the required number of new computers and hence IT Services used a different supplier during this period. Quotes were always requested and reviewed prior to any order being placed but comparative quotes were not always obtained, especially for laptop computers, as the priority was being able to source the volume of equipment needed. As demand levels and market conditions return to normal, it is important that comparative quotes are obtained until a new framework supplier is selected to ensure value for money is achieved.

New computers once delivered are not added to stock records until they are unpacked. Under normal conditions such equipment is held in a secure area but the recent volume of equipment has meant that an office area has also been used for storage. New equipment should be added to stock records on delivery to ensure it can be tracked and that any lost or stolen items can be identified.

There is an IT asset inventory on the new service desk system, which takes regular automated feeds from other systems to maintain details. Access to the inventory was confirmed to be appropriately restricted. However, we have identified a number of weaknesses with the management of the inventory, including timelessness of adding new equipment, recording of disposals, consistency in recording details and data from old legacy spreadsheets not being fully migrated to the new system. There is also no formal process for identifying and tracking computers that have not logged onto the network for a period of time to determine if they are still being used or whether they can be re-deployed.

There is a formal contract with the supplier of IT hardware disposal services, who was selected in March 2019, and there have been two disposals of IT equipment in 2020, one in February and another in July. We found that there are no documented procedures for the disposal of IT assets so processes along with roles and responsibilities are not clearly defined. In addition, the way in which equipment is listed on the different set of disposal documents makes it difficult to confirm that all assets are collected and processed for disposal by the supplier.

## ICT Web Portals 2020/21

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
Logical Security	G	0	0
Access Rights	G	0	0
Audit Trails	G	0	0
Data Processing	A	0	2
Server Security	A	0	4
Legislative Compliance	R	0	3
		0	9

Opinion: Amber		
Total: 9	Priority 1 = 0	Priority 2 = 9
Current Status:		
Implemented	5	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	4	

There are a number of web portals within Adult's and Children's services which can be accessed by carers and providers for submitting online forms, mileage claims, invoices and sending messages. New users can self-registrate for a portal account, a process which involves having to supply an email address which is verified during the registration process. The exception to this is the children's provider portal where there is no self-registration and all accounts are set-up by the finance team on the ContrOCC system. All self-registered portal accounts are password protected and there is a two-step login process which involves entering a password and a token code that is sent to the designated email address. There is no account lockout feature on portals to lock user accounts after a specified number of failed logins, however, after each failed login there is an increased time delay before further attempts can be made, thus mitigating some of the risk.

New portal accounts are not granted any access permissions by default. All new accounts are manually verified to a carer record in the back-end application e.g. LCS or LAS, after which the user has access to send messages and submit online forms that have been published to them.

There is an audit trail available on portals which show the date/time of a user's last login and also provides the date/time of any form they submit or message they send. Details on failed portal logins are stored in the database and can be queried by LiquidLogic but the information is not available to IT Services. This is a result of the design of the system and leaves an inherent risk that failed logins cannot be reviewed and monitored.

Forms that are submitted via the portal go into a designated "task tray" in the back-end application where they are picked up, linked to a carer record and processed. A review of a sample of forms confirmed that, wherever possible, they include completeness and validation checks through the use of mandatory fields, drop-down lists and calendar functions. No validation issues were also identified with the submission of mileage claims and invoices on the children's provider portal. New forms are specified by service areas and built by IT Services and we are recommending the process around this be formally documented in regard to authorisation etc, specifically in terms of any personal data that is collected on a form. Forms are tested in a User Acceptance Testing (UAT) environment before being approved for use but we found that some UAT environments do not reflect live environments and hence testing may not identify all issues and errors.

A review of the servers running the Children's and Families web portal and the Citizen web portal found that they are on supported operating systems, fully patched, have up-to-date anti-virus software and are logically separated in the De-Militarised Zone (DMZ) of the network. The number of local accounts on both servers is limited and local administrator account passwords are managed using LAPS (Local Administrator Password Solution) in accordance with good practice. However, a review of the local administrator group on both servers identified accounts which need to be removed. We performed a vulnerability scan on the two servers and identified a risk around the use of weak encryption ciphers which should be addressed to prevent any personal data being compromised. The servers were built by LiquidLogic and it is not clear if they have been security hardened to reduce the attack vectors; this should be confirmed. There is a comprehensive level of auditing on the web portal servers, which log all critical activity, but we found that the event logs overwrite themselves after a very short period of time (under 10hrs) and hence log data may not be available to help identify or investigate a security incident or data breach.

The compliance of web portals with legislative requirements is a key risk area. Web portals have not been assessed for accessibility by disabled users, do not comply with privacy legislation in regard to the use of cookies and also with GDPR requirements in relation to the processing of personal data.



**OCC Payroll 2020/21**

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: Policies & Procedures	G	0	0
B: Starters & Leavers	A	1	4
C: Variations, Adjustments, Deductions & Additions to Pay	A	0	6
D: Management Information	G	0	0
		1	10

Opinion: Amber		
Total: 11	Priority 1 = 1	Priority 2 = 10
Current Status:		
Implemented	8	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	3	

**Policies & Procedures** – Testing undertaken as part of this audit has confirmed that there is relevant guidance in place for staff on key payroll processes. Testing confirmed that this guidance has been updated with changes made in April 2020 such as codes for additions to pay and holiday pay entitlement. In addition to intranet guidance on the OCC intranet and IBC help pages, there is also additional sources of help available via the IBC helpdesk and web chat function and a dedicated HR advice email address.

**Starters & Leavers** – New starter sample testing identified an overpayment to a new starter, this instance was also part of as sample tested by External Audit. This error was not identified until queried during audit testing and was found to be due to a keying error when the employees start date was entered on IBC. Extended sample testing and analysis by Internal Audit found no other instances where start dates had been recorded incorrectly or where new starters had been overpaid. As a result of this case additional information has been provided by Finance to Cost Centre Managers on their responsibilities in monitoring and reviewing staffing costs. It has also been noted by

Internal Audit that there is a need for some additional exception reporting by HR going forward.

New starter testing noted cases (6/10) where staff contracts were not issued prior to or on the employees start date as is required by the Good Work Plan issued by Department for Business, Energy and Industrial Strategy in December 2018. Whilst there is one case where it appears that the contract is still outstanding for a role that started in May 2020, other delays ranged from 1 day to 3 months.

The saving of employee contracts to individual Electronic Personnel Files (EPFs) has not been completed in all cases sampled. 6/20 contracts tested were not saved to the relevant EPF. This testing has also identified a lack of clarity over roles and responsibilities and process for processing of new starters and the issue of contracts for some Fire & Rescue Staff hires. Testing identified 3 cases where it appears that no contract of employment has been issued.

Issues were again noted (as per previous 2018/19 payroll audit) with timeliness of completion of leaver actions resulting in overpayments despite clear guidance, news items and reminders for managers being issued during the year. An example was noted where a recalculation of a leaver overpayment which should have been completed by the IBC, had been overlooked.

**Variations, Adjustments, Deductions & Additions to Pay** – From sample testing on variations to pay, a number of examples were identified where supporting documentation was not uploaded to the employee's EPF. This was noted as being a particular issue in documenting agreed honorarium payments. For the 3 cases tested, no honorarium form could be provided. It has been difficult to evidence that honorarium timescales (which have exceeded the specified 6 month timescale for the payment of honorariums) and values were appropriate. Although the honorarium process is clearly documented, there are no system controls to prevent managers from entering honorariums for their staff via IBC without following the required process or that highlight where the correct process has not been followed. A webform for actioning the payment of an honorarium with inbuilt approval workflows (development agreed as a management action during the previous audit in 2018/19) is in the process of being tested prior to roll out, this will make it easier for HR to monitor compliance with the required process.

Testing also identified instances where temporary contracts are continuing past their agreed end date without being ended or extended by managers, this includes two cases where temporary contracts ended several years ago (one in 2016 and the other in 2018) where employees are still in post and being paid and a further case where a permanent contract should have been issued following the expiry of the temporary contract in 2016.

**Management Information** – Regular detailed management information is produced for HRBP's on key payroll areas (for example overtime payments, honorariums and

casual claims). It was also confirmed that there is a clear process in place for discussion of payroll issues between OCC and the IBC with appropriate escalation routes in place.

**Follow up** - 1 management action agreed as part of the 2018/19 Payroll audit relating to the development of a webform for the actioning of honorarium payments is in the process of being implemented. It has been reported that the form has been developed and is now in the final stages of testing prior to roll out. The 2018/19 management action will be superseded with a revised action agreed within this report.

This audit provides assurance over the controls implemented and operated by OCC. Separate assurance over IBC operated controls and processes is received annually from Hampshire / IBC.

### **Troubled Families Claim 3 2020/21**

The March 2021 claim consisted of **78 families for Significant & Sustained Progress (SSP)**, however due to the high number of families already claimed for this year, the maximum that could be claimed for March in was 70. This brings the total for the year to the MHCLG's target of 477 families. The MHCLG has previously confirmed that remaining families (8) can be submitted at the start of April when the window reopens, forming part of next year's claim.

The audit of the previous claim (October 2020) identified no issues or management actions, owing to the previous improvements to the process for identifying duplicate claims and updates to the Think Family Outcome Plan. All previous actions from previous audits have been implemented.

The audit checked a sample of 15% of the total SSP claim (12 families) to ensure that they met the relevant criteria for payment and had not been duplicated in the current or previous claims. Their initial eligibility criteria for inclusion in the Programme were also checked.

### **Overall Conclusion**

The audit noted the improvements in the internal processes for data checking and validation made following previous claims have remained effective. Testing for duplicates found no families that have previously been claimed for, and no issues were identified with the eligibility or sustained progress of the families sampled. Testing also confirmed the effective implementation of new processes to evidence sustained progress against the attendance criterion, given home schooling as a result of Covid-19.

Due to satisfactory responses having been received for all queries raised by Internal Audit, this claim can be signed off for submission.

As such, no audit findings or management actions are required.

## Childrens Education System Implementation 2020-21

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
Project Structure	A	0	7
Project Reporting	A	0	4
Project Planning	A	0	1
Project Costs	A	1	1
Supplier Management	G	0	0
Lessons Learned	A	0	1
		1	14

Opinion: Amber		
Total: 15	Priority 1 = 1	Priority 2 = 14
Current Status:		
Implemented	6	
Due not yet actioned	1	
Partially complete	0	
Not yet Due	8	

In 2018, Children's started a project to replace the Capita ONE education case management system. Following a formal procurement exercise, Liquidlogic were selected as the preferred supplier and a contract was signed in December 2020. The Liquidlogic EYES (Early Years and Education System) solution is being implemented alongside their finance case management solution, LIFT (Liquidlogic Integrated Finance Technology).

A Project Initiation Document (PID) has been produced and is going through an approval process. A review of the draft PID found that it is comprehensive and covers key areas such as business case, project objectives, scope and project governance. The PID includes the anticipated benefits of the project but there are no measurements against these and hence it will be difficult to confirm if they have been delivered at the end of the project. A project structure has been put in place to manage the project, which includes a Project Board and a Project Team. The Project Board has been in situ since 2018 and has a documented

terms of reference, however, we found that it needs updating and does not fully define the responsibilities of each Board member. Clarity is needed over who is performing the key Project Sponsor role and the reporting line of the Project Manager also needs to be reviewed as it does not currently report into Children's or IT Services. We also found that some of the roles on the Project Team have yet to be filled.

Project risks and issues are recorded on a RAID log which is maintained by the Project Manager and was found to be up to date. The exception noted on the RAID log is that issues are not RAG rated and hence it is difficult to distinguish critical ones from those that are less important. A Highlight Report is produced for the monthly Project Board and includes an overall project RAG status and details other key activity for the period. The report has a section on risks and issues but this is used by the Project Manager to highlight any specific risks and issues that they want to bring to the Board's attention and does not routinely include the biggest risks on the RAID log. The Project Manager has attended the IT Digital & Customer Programme Board to give an update on the project. However, the Programme Board do not monitor the project as it is not categorised as a full IT Project. Whilst there are members of IT Services on the Project Board and Project Team, the IT Digital & Customer Programme Board should have greater visibility of the project to ensure any technical resources and support are available when required. A Communication Plan for the project has also not been documented as the communications lead role has yet to be filled.

A project plan has been developed and is maintained by the Project Manager. There is a separate high-level implementation plan within the supplier contract, which is still being finalised and agreed. The project plan should be updated to reflect the agreed contract implementation plan to ensure project tasks are completed in accordance with contractual milestones. The staff resources required by the project from both children's and ICT has been identified and the project budget includes the backfill of key roles.

A project budget has been agreed and a breakdown of costs is available although there is no formally defined responsibility for managing and monitoring the budget or regular reporting on project finances to the Project Board. This could lead to the project budget not being effectively monitored at Board level. Supplier payments are linked to milestones and the first two invoices submitted for payment have been verified by the Project Manager and approved by the Project Sponsor.

There is a formal contract with the supplier which was signed on 21 December 2020. Contract management and monitoring, in terms of deliverables, is performed by the Project Manager and the Procurement Lead, who is a member of the Project Board.

There is a comprehensive Lessons Learnt Log from the children's social care system implementation and some of those lessons have benefited the early stages of the project, including writing the tender specification and agreeing to deploy standard system configurations instead of bespoke ones. Beyond this there is no evidence that the lessons learnt have been shared with all project stakeholders or of any Project Board ownership that the lessons are applied to the remainder of the project.

## **Covid Payments and Expenditure 2020/21 – Summary Report**

Opinion: Amber		
Total: 17	Priority 1 = 5	Priority 2 = 12
Current Status:		
Implemented	2	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	15	

### **Introduction**

As part of the revised Internal Audit plan for 2020/21, CEDR requested an audit of a sample of Covid-related payments and expenditure, to provide assurance over the accuracy and integrity of spend. Risks in this area were recognised due to the urgency and volume of spend, as well as the short timescale for setting up payment arrangements. Nationally, there have been inherent fraud risks associated with Covid-related payments, support and relief.

A sample of 4 Covid payment areas were selected for testing:

- 1) Test and Trace Service Support Grant
- 2) Temporary Place of Rest (TPOR) at Upper Heyford.
- 3) Early Years and Childcare Covid grants
- 4) 85% Transport Covid payments

Separate management letters have been issued containing the detailed findings and agreed actions for each of the 4 areas. This letter summarises the findings across all areas reviewed.

### **Background / Scope of work**

At the outset of the pandemic and first lockdown in March 2020, a number of projects and grant payments were set up to respond to the pandemic and to support key Council suppliers. At this time, OCC stood up their Gold Command structure to direct and oversee the Council's pandemic response strategy, with Silver and Bronze Command Cell groups overseeing the various operational elements (Gold, Silver and Bronze respectively being the Strategic, Tactical and Operational command structure for managing a crisis situation in OCC).

This audit selected the 4 areas to review based upon an assessment of materiality, risk and coverage across Directorates. This section explains the background and scope of work covered for each of the 4 areas:

### **1) Test & Trace Support Service Grant:**

This was a government grant of £2.9m to support local authorities in their Test & Trace activities. OCC has only partially spent this grant funding so a full audit has not yet been completed. The government require Chief Internal Auditor sign-off on this funding so once expenditure has been completed a full audit will be undertaken and reported on. To date, the governance structure and key processes have been reviewed, with some recommended actions implemented as a result.

### **2) Temporary Place of Rest (TPOR) at Upper Heyford:**

In response to the expected rise in excess deaths, regional TPORs were commissioned in March 2020 and the site at Upper Heyford was agreed by the Strategic Commissioning Group for the Thames Valley, in line with the Excess Deaths Plan.

The speed in which this facility was transformed from aircraft hangars to TPORs is noted, as the site became operational in 10 days. In total, 3 Hangars were transformed into TPORs for a period of up to 6 months (April – September 2020) at a cost of £2.5m.

The scope of the audit included the governance arrangements, decision-making and oversight of the set-up and running of the TPOR between March-September 2020. The audit reviewed how suppliers were selected and managed, as well as the financial and asset management controls in place.

### **3) Early Years and Childcare Covid grant funding**

CEDR agreed to several tranches of Early Years and Childcare grant funding from March 2020 to support Early Years and Childcare providers within Oxfordshire, totalling £1.3m. The funding aim was to minimise the risk of permanent closure and severe financial hardship for providers.

The Early Years team set up the grant funding arrangements, informed providers eligible to apply, and assessed applications for funding approval or decline. The audit reviewed a sample of 20 applications to check the application and decision-making process.

### **4) 85% Transport Covid payments**

In the first Covid lockdown a large number of home to school transport routes were suspended, with only a small number continuing to run. Government advice regarding payments to suppliers was set out in Procurement Policy Note 02/20 (“PPN02/20”) and was followed in regard to paying these transport providers.

CEDR agreed that where contracted routes continued to run 100% of the contracted daily rate would be paid and where contracted routes were, by agreement with the

Council, no longer running (Suspended Routes) CEDR agreed to pay 85% of the contracted daily rate. This arrangement was initially due to last until 30<sup>th</sup> June 2020 but was extended beyond this date due to the continued closure of schools. Approval was sought via the Finance and the Procurement Cells prior to CEDR approval.

A total of £1.3m was paid to providers for the 85% payments between April – June 2020, which is the period covered by this audit. The audit reviewed a sample of 10 providers that were paid the 85% support payments to verify the award and payment process followed. This included checking that signed agreements were in place, audit returns had been submitted, verified drivers were paid, confirmation that the routes on the audit return were suspended routes and eligible for the claim and that contract rates and invoices were correct.

### **Overall Conclusion**

Based on the sample of the 4 areas reviewed, our overall conclusion is AMBER. The Council has demonstrated good strategic governance over these Covid-19 funding arrangements. For the grants, the funds have been disbursed promptly and following a defined application and checking process. For the government-funded grants reviewed, the grant conditions have been complied with.

Where issues were identified during the audits, these frequently stemmed from the fact that processes had to be set up in a short period of time, with the onus on a quick operational turnaround and disbursing payments to support providers promptly. The operational context at the time was fast-changing and Officers were challenged with keeping abreast of new government guidance and schemes.

In the case of the TPOR, issues were identified which stemmed from inadequate contract management and procurement practices (which are being addressed via the wider provision cycle improvement work). The audit identified queries related to the probity of payments to suppliers (which have resulted in a robust response by the organisation to investigate and follow up). Weaknesses were also identified relating to asset control. In the case of the Early Years payments and the 85% Transport payments, the issues identified were in relation to a lack of robustness of checks of the applications / return forms / invoices which resulted in some errors in payment values (which are being reviewed) and assessment processes that could have been more transparent (such as having clearer evidence-based financial information to support the grant awards).



## Music Service 2020/21

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: Governance and Risk Management	A	0	5
B: Financial Management	R	1	7
C: Purchasing and Procurement	A	0	4
D: Asset management	A	0	1
E: Contract management and grant compliance	A	0	3
F: Administration and systems	A	0	4
G: Safeguarding	A	0	6
H: Health and Safety	A	0	8
		1	38

Opinion: Amber	
Total: 39	Priority 1 = 1   Priority 2 = 38
Current Status:	
Implemented	8
Due not yet actioned	0
Partially complete	0
Not yet Due	31

The audit noted a number of areas where improvements in the control environment at the Music Service have been made over the last year since the previous audit, such as more embedded safeguarding practices, more regular SMT meetings and improved budget monitoring oversight. The audit noted a Directorate leadership drive to address the issues within the Music Service. As such, interim leadership arrangements have been put in place in recent months to address current staffing gaps in leadership positions. Additional support is being provided by the Cultural Services Improvement Team to document the administrative and process weaknesses previously identified, with a view to establishing clearer, more efficient processes. Once the impact of these initiatives has taken effect and the management action plan fully implemented, a more positive assurance opinion should be visible.

At the current time, there are still a number of areas of weakness in the internal control environment at the Music Service. The context of the past year has to be factored into this assessment; with the challenges presented by the Covid-19 lockdowns as well as senior leadership changes resulting in a lack of stability for the Service – as detailed in the following sections.

## **A: Governance and Risk Management**

Significant issues were identified in the 2019/20 audit and a management action plan was subsequently agreed. Although the absence of a Head of Music Service for over a year has resulted in a lack of management capacity to help drive through the necessary changes and improvements. More recently, there has also been leadership change with the Assistant Director overseeing the Music Service leaving. This has resulted in senior leadership capacity issues for the Music Service, although interim leadership arrangements have been put in place ( a longer-term solution is still required). The impact of Covid-19 restrictions has hampered the ability of the Service to make changes over the past year, as it has had to operate reactively to respond to the pandemic situation, thereby reducing their capacity to act proactively to address the list of issues that require improvement.

Oversight for Music Service activity and performance is provided by the Directorate leadership as well as Oxfordshire Music Education Partnership (OMEP). The previous audit highlighted some issues regarding a lack of clarity over OMEP's role and oversight – the new Terms of Reference for OMEP have clarified this and have recently been accepted by the OMEP Board. From this point on once the new ToR are embedded, OMEP's role in governance and oversight should be strengthened.

Assurance over the performance, quality and compliance of the Service is provided by a Performance Dashboard with KPI's covering service targets and financial information. However, there are gaps in this assurance mechanism, and the action from the previous audit to implement a Quality Assurance Framework to cover all areas of risk (e.g. timely submission of grant returns, safeguarding compliance, financial control) hasn't been implemented.

The audit noted a co-operative Senior Management Team (SMT), with regular meetings held, which were minuted and appropriately covered all areas, including Finance (which previously had been absent). There was evidence of far more communication and engagement with staff, who are kept up-to-date with information from SMT on a regular basis. Some clarity over the division of responsibilities between SMT members was still required.

There is now greater clarity on the appraisal process for staff, however monitoring that monthly 1:1s are taking place in accordance with the 12:3:2 Council corporate policy requires improvement. The HR structure in IBC is still out of date, resulting in incorrect management lines on the system.

## **B: Financial management**

The audit noted that there are weaknesses within financial management of the Music Service. The previous audit highlighted inadequate budget monitoring practices, which resulted in an unexpected year-end overspend. Whilst budget monitoring has improved, the financial position of the Music Service is still a challenge. In 2019/20 there was a loss of £189k and in 2020/21 a loss of £807K (to be funded from reserve funds, government grants, and corporate balances). There are several causes of the significant loss position, including:

- Covid-19 lockdown impacting upon the business and a reduction in income;
- Structural changes required to the Music Service have not taken place partly due to Covid-19 and partly due to the leadership gaps noted above;
- The cost/benefit analyses of each strand of the Music Service business has recently been completed, so did not impact the 2020/21 budget but is forecast to reduce the deficit in 2021/22 to £47k.

Although a deficit budget for 2021/22 has been signed off, a sustainable business model and structure needs to be implemented to ensure the Music Service does not continue in deficit beyond this.

Some further issues noted in the previous audit that were still evident in the current audit included:

- A requirement to put in place clear procedures for the Finance team to follow
- Non-compliance with (and a lack of understanding of) corporate Finance procedures
- At the time of the audit the 'Special Account' still had not been completely reconciled and closed down (although at the time of audit reporting this had been closed)

Additional areas of testing from the current audit has also identified the following issues (some of which have been long-standing):

- Non-compliance with finance timescales across all areas tested – such as invoice payments, debt recovery and debt write-off
- Non-compliance with Debt Recovery procedures
- Bad debtors not flagged on the Speed Admin system so potentially further lessons could be booked and further debt accrued
- Purchase Orders raised retrospectively in 59% of cases, resulting in late invoice payments (the average number of days to pay from the invoice date was 110 days)

## **C: Purchasing and procurement**

At the time of the audit, purchasing card transactions had not been reviewed due to the absence of a Head of Music Service, however a substitute has now been recorded on the system who will review and authorise the transactions.

The Scheme of Delegation held on the OCC intranet is not up to date and includes a member of staff who left in August 2019 and only one member of the current SMT who would not routinely be carrying out purchasing or procurement activity. The current Business Manager (the cost centre manager) is not included on the documented scheme of delegation.

Only one substantial procurement had been undertaken by the Service in recent years. The audit noted that the contract value was over £25k over 3 years, however a competitive procurement process was not followed (e.g. obtaining 3 quotes) as only the annual value of the contract was considered.

## **D: Asset management**

From the limited remote testing that the audit could perform under Covid restrictions, issues with the timeliness of and responsibility for updating loaned items on Speed Admin were noted. In 3 of the 10 items sample tested issues were noted, as they (a MacBook, an iPad and an instrument) had been returned to the Service but not updated on the system or the location was unknown (the instrument).

## **E: Contract Management & Grant Compliance**

The Music Service does not have many contracts or areas of high contractual spend. The largest by value is a software system and the audit noted the Service did not have a copy of the contract (though a copy was obtained during the audit).

The timeliness of submission of ACE returns had improved following the previous audit. However, the audit trail for compiling the data was inadequate.

## **F: Administration & Systems**

The Administration team do not have adequate documented procedures (this was noted in the previous audit also) and in particular there is no staff User Guide for Admin software system, resulting in inefficiencies and a greater risk of errors. However, the Cultural Services Improvement Team are currently undertaking a review with the Team to map the processes and utilise the Admin system capabilities better.

From audit testing on the system, errors were noted with the adjustments to accounts which were necessary due to lessons not being set up correctly and then not cancelled correctly resulting in duplicate charges being made. In one case, the lesson charges cancelled were incorrect resulting in an under payment.

## **G: Safeguarding**

The audit noted progress had been made with improving the safeguarding controls, including a more robust system to record and monitor DBS checks and contact made with the OCC LADO (Local Authority Designated Officer). However, there were some areas that require further work:

- The LADO inspection noted in the previous audit actions is still required and has not taken place due to restrictions under Covid-19.
- During the audit it was brought to our attention that the DfE Prohibition from Teaching checks had not been carried out as part of pre-employment checks. These checks have now been included in a new recruitment procedure currently in draft form.
- Safeguarding does not feature in the KPI's and without the development of the more holistic Quality Assurance Framework there is a gap in assurance.

## **H: Health & Safety**

Whilst some progress has been made with the Health & Safety actions agreed in the last audit and subsequent subject-specific H&S reviews, this is an area where implementation has been particularly impacted by the Covid-19 lockdown restrictions. Some actions, such as staff training and updating some policies and procedures have been completed, however the majority remain outstanding, as follows:

- There are a number of outstanding actions from the Fire Risk assessment conducted in May 2019 and followed up in March 2020 and September 2020. The majority of these relate to FM and are reported to have been escalated to the Hard Services Lead for FM yet are outstanding.
- The housekeeping exercise identified for the Music Service to complete is ongoing and has been hampered by Covid-19 restrictions on office attendance.
- There are a number of areas in the Site Logbook and Fire Safety Logbook that have not been completed.

Covid-19 risk assessments are in place that cover the areas of work currently being undertaken due to Covid restrictions and have been reviewed by the Corporate H&S Team. Going forwards, as the restrictions ease, the Music Service will need to ensure that the business as usual risk assessments and H&S tasks are completed.

## **Follow Up**

This audit report incorporates all actions not implemented from the previous audit report and new actions from this report.

The previous audit resulted in an agreed management action plan with 56 actions to address the weaknesses identified. This audit has confirmed that 22 are fully implemented, 22 are partially implemented, 5 are not yet implemented. A further 4 actions were not tested during this audit, and 3 were no longer relevant due to the closure of a business.

## Childrens – Management of Placement Vacancies 2020/21

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: Identification of Requirements	G	0	0
B: Sourcing of Placements	A	0	0
C: Placement Management	R	0	3
D: Contract Management & Quality Assurance	R	0	4
E: Management Information & Reporting	A	0	2
		0	9

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

Overall, the audit identified strong arrangements in place to monitor and forecast the number and types of placements required and noted progress being made against previously identified gaps in provision. Sample testing of placements confirmed sourcing attempts are being made in line with established priorities and placements are being authorised appropriately.

Areas where the need for improvements were identified include the completion of provider accreditation checks, contract management of spot contract arrangements, and processes for the management of safeguarding / quality concerns relating to providers. These areas of weaknesses had been previously identified but were to be addressed following the implementation of the HESC (Health, Education & Social Care) model and associated restructure. It is acknowledged that the implementation of the new model and structure is still in a process of transition, with new roles and responsibilities and management of ongoing vacancies.

Timeliness of completion and the quality of IPAs (Individual Placement Agreements) was found to be an area requiring improvement, with delays in both issuing and finalisation of the agreements.

### **Identification of Requirements**

The Council's Commissioning Strategy for Children We Care For Placements aims to ensure that there are sufficient placements to meet the needs of children in care, allowing the Council to meet its sufficiency duty under the Children Act 1989 while driving a consistent and focused approach to sufficiency, cost effectiveness, market development, and good outcomes for children and young people. The current strategy, which covers 2020-2025, was updated following an externally commissioned needs analysis exercise of all children in care, and market analysis of available placements, both nationally and to the Council. The strategy notes the key gaps in provision identified as part of this analysis, and, combined with other existing service planning and transformation work, sets out the Council's strategic priorities and commissioning intentions for children's placements.

The audit noted good progress against a number of these intentions, with action plan updates being regularly provided to the Placement Sufficiency and Third-Party Savings Board, along with progress on individual projects which have been set up to address specific areas and challenges. Review of the Board papers also confirmed appropriate involvement of all relevant teams, to enable a joined-up approach and information sharing across services, as well as informing future commissioning activity and strategies.

### **Sourcing of Placements**

Review of a sample of 25 placements made in the past 12 months and covering different types of contracts and placements confirmed sourcing attempts are being made in line with established priorities and Entry to Care (or Head of Service) authorisation. For those sampled, internal provisions were attempted first, then block contracts, followed by frameworks, and finally spot placements, and where providers had declined referrals it was found to be a result of child matching or ability to meet the needs of the placement.

While good examples of cross organisational working were noted throughout the audit, with Placement Officers and Social Workers working together to identify and secure appropriate placements, two exceptions were noted in which Social Care Teams progressed sourcing without informing the Placement Officers. Three exceptions also were noted in which referrals did not contain an appropriate level of detail to allow placements to be sourced effectively.

The audit noted weaknesses in the provider accreditation process, which is required when placements are made with providers who are new to the Council or have not been used recently. Of the 25 placements reviewed, five required an accreditation check, and while LCS records indicated this had been requested, the team within Quality & Contracts responsible for carrying out the checks were only able to confirm the outcome of one, having no record of the other four having been requested. A further case was identified in which

an accreditation check took six weeks, by which point the placement had been made, broken down, and a new placement was being sourced.

## **Placement Management**

Audit testing highlighted ongoing weaknesses with the timeliness of completing IPAs, which are required for all external placements and act as the contract with the provider, setting out the child/young person's outcomes and any information around cost and services provided. Analysis of an IPA tracking spreadsheet maintained by the team responsible for completing and finalising IPAs found that of the 178 external placements recorded since January 2020, 110 had finalised IPAs (62%). These were completed, on average, 78 days after the placement start date.

Of the remaining 68, the majority (74%) are awaiting the provider's signature, having been sent up to 11 months ago. Analysis of the delays found no single root cause however; outstanding IPAs covered all contract types and delays had occurred at all stages of the process, from receiving outcomes from Social Workers to receiving signed copies from providers.

The quality of information held in IPAs was also found to be an area of weaknesses. Of the ten IPAs reviewed, four did not contain a breakdown of the costs or what had been commissioned as part of the placement (e.g. therapy, 2:1 care) and seven did not contain information around the child's education. The level of detail recorded against placement outcomes widely varied, with some clearly articulating how success against the outcome would be measured and expected timescales for this, and others consisting of single sentences. The expected placement duration had not been completed in the majority of cases, and neither had confirmation that relevant documents had been shared.

Audit testing confirmed Child We Care For Reviews had been carried out within appropriate timescales, although there is currently no requirement for the IPA to be reviewed as part of the child/young person's care planning, or to confirm one is in place. This was reportedly due in part to the quality of information included in IPAs, however, means while the child's Care Plan and Placement Plan is routinely reviewed, there is no assurance provided that what has been commissioned is being received.

Funding Authorisation Forms had been completed with appropriate sign off for all placements sampled. However, while eight required the placement costs to be reviewed after a determined period, with a view to decreasing the level of support required and therefore cost, or returning to Entry to Care to authorise continued cost, reviews could not be evidenced in three cases, with costs continuing beyond the agreed timescales without further authorisation.

## **Contract Management and Quality Assurance**

The audit noted an inconsistent approach to contract management depending on the type of contract the placement is made under. Effective contract management could be demonstrated for the residential block contracts and the residential and Independent Fostering Agency (IFA) South Central Frameworks. It is acknowledged there is currently no permanent, dedicated resource for the management of spot contracts, which continue to



make up a large proportion of placements made. For these spot contracts, there is therefore no monitoring of contractor performance, ongoing due diligence to provide assurance over key areas such as supplier resilience, and health & safety, or oversight to ensure value for money and competitive rates are achieved.

Weaknesses and inconsistencies were identified in the management of provider safeguarding and quality concerns, with no established process to ensure issues are reported appropriately, shared with the necessary teams, or investigated and followed up consistently.

It was reported under the 2019/20 Placement Decisions Audit that responsibilities for these areas would be defined under the transformation work and the new HESC model. The Commissioning Strategy also contains an intention for “all placements to receive appropriate oversight, quality outcomes and safeguarding through a single common process”. These arrangements have not yet been fully assigned under the new model, although a project has now been initiated with a view to implement a quality management framework to monitor and assure provisions and identify a more sustainable and robust way to manage contracts.

With regard to the Cross Regional Block Contract, a consortium of Local Authorities each with a contracted number of beds, it was not possible to ascertain who within the Council authorises beds being used by other consortium members, which can be done depending on demand, placement matching, and vacancies. Issues were also noted with payments and charging for the contract. As the lead commissioner of the contract, the Council is responsible for carrying out recharges for the ‘bought’ and ‘sold’ beds. This was carried out at year-end, however a review of the spreadsheet used to calculate the charges and payments identified a number of errors, resulting in the other Local Authorities being undercharged and incurring financial loss to the Council.

### **Management Information & Reporting**

The audit noted the developments and improvements made to the monthly occupancy reports reviewed by the Placement Sufficiency and Third-Party Savings Board. These allow effective oversight and scrutiny of placements and vacancies for internal residential homes, internal foster carers, block residential contracts, and Young People Support Accommodation placements, although it was noted no data is currently provided on framework or spot placements. As noted above, positive progress is being made towards the Council’s commissioning intentions to be able to source appropriate, local provision, however the availability of accurate and up to date management information on where children and young people are being placed, and the associated costs from taking this approach, is key, so that appropriate commissioning decisions can be made and progress measured.

There is currently no management information or monitoring around the completion of IPAs, an area in which the audit has found significant delays in completion of the agreements, and numerous placements where agreements are not yet in place.

## Pensions Administration 2020/21

Overall conclusion on the system of internal control being maintained

**G**

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Regulatory Framework	<b>G</b>	0	0
Scheme Member Lifecycle	<b>G</b>	0	1
Scheme Employers	<b>G</b>	0	0
Debtor Management	<b>A</b>	0	1
		0	2

Opinion: Green		
Total: 2	Priority 1 = 0	Priority 2 = 2
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	2	

Oxfordshire County Council is the Administering Authority in the Local Government Pension Scheme Regulations, with approximately 190 Employers within the Pension Fund. The audit noted good progress against a number of areas the Pensions Service had been involved in during the 2019/20 Pensions Administration Audit. This includes the Guaranteed Minimum Pension (GMP) reconciliation with HMRC, which is now complete. At the time of the previous audit, the outcome of the Government losing its appeal on the McCloud judgment on discrimination (a national issue) was awaited. The Government announced its response in February 2021, with resulting changes requiring new legislation. This will provide a detailed explanation of individual member's legal entitlement, facilitating the Pensions Team in managing these changes. Although initially delayed, the transfer of Employers to from the MARS system to the I-connect system is now almost complete, aiming to improve efficiencies in terms of data collection and checking, and implementation of the Administration to Pay process has also now commenced.

## Regulatory Framework

The team issued Annual Benefit Statements for the 2020/2021 Financial Year within the regulatory deadline, issuing 99.59% of active scheme members and 99.3% of deferred scheme members statements.

The team is currently implementing the Administration to Pay process. This project was originally due to be completed in December 2018 but was pushed back for further software development. Implementation started in February 2021, which is being phased into operation and is expected to be fully implemented by January 2022. The system aims to increase pensions administration processes' efficiency by automating the flow of information from the pensions administration part of Altair to the pensions payroll part of the system.

## Scheme Member Lifecycle

Following weaknesses identified in this area during previous audits, payroll processes were re-designed in order to ensure sufficient segregation of duties. Audit testing found that reports showing tasks completed by individuals with access to both the Administration and Payroll functions on Altair to ensure the effectiveness of the segregation of duties were not being run on a regular basis. Over the past twelve months, seven of the monthly reports were carried out retrospectively (up to five months after the payroll) and there were four months where no report had been completed.

Although some delays in completion of scheme member lifecycle tasks were noted from sample testing completed during the audit, these delays were found to be due to external factors. Reported performance against the established Service Level Agreements (SLAs) was found to be strong across the year. Performance is monitored and reviewed on a monthly basis within the team and reported on a quarterly basis to the Pensions Fund Committee.

## Scheme Employers

The implementation of the I-connect system, which replaces the MARS data return process and enables employers to upload data directly into Altair has experienced delays against the initial August 2020 implementation date, due to Covid-19 and pressure on the service. Transfer of employers from MARS to I-connect has been phased, with 16 Employers left to transfer at the time of the audit. It is anticipated this will be completed with the last two largest employers by June 2021.

## Debtor Management

Further progress is required in developing debtor management and debt recovery processes. The management action agreed within the 2019/20 audit remains outstanding. While there have been a number of discussions around processes over the year, recruitment to the post responsible for debt monitoring and recovery was unsuccessful and there remains no process for the monitoring, follow up or active debt recovery. Current debt at the time of the audit is understood to be just over £136k, which includes 91% of the overdue invoices reported in the 2019/20 Pensions Administration Audit Report (totalling £78k), as no active recovery has been taking place.

It is acknowledged that overpayments identified in the Biennial NFI (National Fraud Initiative) exercise continue to be addressed by one of the Team Leaders, although two historical cases remain outstanding and require further progress in the recovery of the outstanding debt.

**Family Solutions Plus 2020/21**

<b>Overall conclusion on the system of internal control being maintained</b>	<b>G</b>
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Opinion: Green		
Total: 2	Priority 1 = 0	Priority 2 = 2
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	2	

**Introduction**

The Family Solutions Plus (FSP) model was implemented within the Children’s Directorate in November 2020. This transformational project involved implementation of a new practice model of intervention across Oxfordshire to tackle the main causes of parental and family breakdown. The project itself closed at the end of December 2020, following the sign off of the Project Close Request report by DLT. The report highlights the achievement of project objectives and key deliverables with the few remaining outstanding items allocated to specific officers.

The FSP Partnership Board has continued to meet following the closedown, with a reviewed and updated version of the Terms of Reference to reflect the project having moved the model into practice and the project formally ending.

Performance information and reporting has been and is continuing to be developed to enable the Directorate to monitor changes in performance and the realisation of the anticipated benefits of the new model.

This audit focussed on how key components of the FSP model have been implemented to provide assurance over the likelihood of realisation of key benefits and efficiencies and also reviewed the developing mechanisms for performance monitoring and reporting from team level upwards.

An audit of the FSP project was also completed in 2019/20 and focussed on project governance. The overall conclusion was Green. There were 4 management actions agreed as a result of the audit, all have been reported as fully implemented.

## **Overall Conclusion**

Our overall conclusion is **Green**. The implementation of the model appears to have been well managed with management focussed and positive about the new model and what it will enable in terms of better outcomes for families. It is recognised that the FSP Project, planned prior to the pandemic, was implemented during COVID, and during a period of remote working arrangements.

All key components of the new model reviewed at an overview level appear to be in place. Multi-disciplinary teams are now established. Although there have been some recruitment and retention issues resulting in a higher than anticipated need for agency staff, there is an action plan in place to resolve this over the 2021/22 financial year. The Workbook has been rolled out with detailed training and guidance developed in house and rolled out to FSP teams. Motivational Interviewing is also now established, with training rolled out. Whilst there is a need to obtain some assurance on completion of training (in terms of Motivational Interviewing and the training provided on the model and the workbook) to ensure that all relevant staff have completed it, high take up has been reported with MI courses fully booked to late summer. It has been reported that group supervision is taking place, it is planned that this will be reviewed in more detail as part of the 2021/22 FSP audit. It is also positive to note that there is work ongoing to monitor and act on lessons learnt by Hertfordshire from their experiences of implementing the model.

Governance arrangements have been updated following completion of the project with the FSP Partnership Board split into a Steering Group focussed on operational issues and the Board focussed at a more strategic level.

The service has also made good progress in terms of performance monitoring and reporting with key streams being clarified in terms of where and how the anticipated benefits of the new model can be measured and reported on. Whilst it is still early days in being able to see evidence of benefits being realised, there are positive early indications as reported to Children's DLT and CEDR in April 2021.

Performance is being measured via three different frameworks. There is an FSP Evaluation Framework, led by Oxford University in conjunction with OCC which will look at the impact of the new model on families over time, a Benefits Realisation framework which will look to provide evidence that the model is delivering the anticipated savings, with reporting back to CEDR and an internal performance framework which will focus on performance at operational level and provide performance information which will support the Benefits Realisation framework

reporting. This will be monitored via monthly DLT reporting. The internal performance framework went live in April 2021.

Looking forward, options for the development of a more integrated method of performance reporting are being investigated and discussed. It is hoped that it will be possible to introduce an intranet-based performance dashboard which users at operational, tactical and strategic levels of the service can drill down into as required. Discussions are taking place with ICT and the corporate performance team over the technologies available.

### Risk Management 2020/21

<b>Overall conclusion on the system of internal control being maintained</b>	<b>A</b>
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<b>RISK AREAS</b>	<b>AREA CONCLUSION</b>	<b>No of Priority 1 Management Actions</b>	<b>No of Priority 2 Management Actions</b>
<b>A: Policies, Procedures &amp; Framework</b>	<b>G</b>	<b>0</b>	<b>2</b>
<b>B: Roles &amp; Responsibilities</b>	<b>A</b>	<b>0</b>	<b>2</b>
<b>C: Embedding &amp; Implementation</b>	<b>A</b>	<b>0</b>	<b>4</b>
<b>D: Reporting &amp; Oversight</b>	<b>A</b>	<b>0</b>	<b>2</b>
<b>E: Training &amp; Awareness</b>	<b>A</b>	<b>0</b>	<b>4</b>
		<b>0</b>	<b>14</b>

Opinion: Amber		
Total: 14	Priority 1 = 0	Priority 2 = 14
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	14	

It is noted that there have been a number of improvements in the corporate risk management approach since the start of 2020. The leadership level risk management process is now well established and embedded with regular review and discussion of leadership level risks and risk scoring at CEDR as well as discussion and consideration of new risks. There is also now regular and routine reporting to members on leadership level risks via inclusion in the public facing Business Management & Monitoring reports.

There is a Risk and Opportunities Management Strategy in place approved by CEDR, considered by AWG and approved by Cabinet in 2019. This has recently been reviewed and updated and the revised version is now in the process of being approved. Intranet guidance is still to be reviewed and updated, although it is noted that what is there is already comprehensive in terms of the risk management process from risk identification through to review of risks. There is still a need to ensure that it is in line with the revised strategy, once approved, and ensure contact details and responsibilities are updated. This has been identified within the Risk Development Plan and is work in progress.

The Risk Development Plan also identifies a number of other required improvements to effectively embed risk management across the Council. Whilst some of the original target dates have had to be moved, primarily due to the events of the last year, the audit noted that progress is being made with making the required improvements. Going forward the Corporate Lead for Risk Management will need the support and engagement of the Directorates to make the required improvements at operational level.

At directorate / operational level it was positive to note that all directorates are using the standard risk register template and recommended approach as per the intranet guidance, however there are areas where risk management practices need to be more formally established and embedded, particularly in relation to DLT level oversight and challenge / review of operational risk registers.

Roles in relation to operational risk management which will act as a liaison with the corporate team are in the process of being defined and confirmed. The corporate team do not currently have any involvement or oversight of directorate level risk management processes and it is acknowledged that until the directorate role has been clearly defined and representatives appointed, there is a need for some additional input from the corporate team to provide assurance over how risk management processes are working and identify areas where more targeted support may be required.

With the exception of Adults, who have regular DLT sessions where operational risk management is discussed and reviewed, DLT level oversight of operational level risk registers is not currently routine or systematic. For the newly formed CODR and CDAI directorates this is because their risk management processes are still being developed, within Children's risk management has been considered in a different way via weekly COVID dashboard reporting and discussions. In Environment & Place they have identified improvements which they are in the process of addressing.

We noted good evidence at directorate / senior management level in terms of their understanding of the risk escalation process. We note that the Risk Development Plan has identified the need for further improvements to the guidance, specifically thresholds for

escalation, to ensure that officers at all levels are confident in how this process works. Another area where clarification is required is on the management of joint risks which could be risks which are leadership and operational risks or that may affect more than one directorate or service area. Some clarity is required on the process for managing these risks so that duplication is avoided but risks are still managed appropriately, and responsibilities are clear.

Training for staff and members is in the process of being developed. This is an acknowledged area for improvement within the Risk Development Plan and is currently work in progress. It is planned that some basic training will be delivered at the start of the summer, alongside completion of a training needs assessment and commissioning of some external training which will be able to pick up on any needs identified from the training needs analysis.

**AMHP (Adult Mental Health Practitioners) 2020/21**

<b>Overall conclusion on the system of internal control being maintained</b>	<b>A</b>
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<b>RISK AREAS</b>	<b>AREA CONCLUSION</b>	<b>No of Priority 1 Management Actions</b>	<b>No of Priority 2 Management Actions</b>
<b>A: Policies and Procedures</b>	<b>A*</b>	<b>0</b>	<b>2</b>
<b>B: Operational Processes</b>	<b>A</b>	<b>0</b>	<b>5</b>
<b>C: Management Information</b>	<b>A</b>	<b>0</b>	<b>2</b>
<b>D: HR</b>	<b>G</b>	<b>0</b>	<b>1</b>
<b>E: Finance</b>	<b>G</b>	<b>0</b>	<b>0</b>
<b>F: Data Access and Security</b>	<b>G</b>	<b>0</b>	<b>0</b>
	<b>Total</b>	<b>0</b>	<b>10</b>

*\* The amber conclusion also includes the finding reported under the HR section regarding HR policies and procedures*



Opinion: Amber		
Total:10	Priority 1 = 0	Priority 2 = 10
Current Status:		
Implemented	3	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	7	

The AMHPS team have made a number of improvements to team processes since the Team Manager was appointed in early 2020. Team guidance has been reviewed and refreshed, the recording of patient referrals and assessments has been moved over to LAS (as of the end of September 2020) and management reporting is now being generated from LAS as well (starting in January 2021). A case audit process has also been introduced in order to identify strengths and areas for improvement within the team. Whilst it is acknowledged that there are still some areas that require further development and improvement, these have been identified by team management and they have plans in place to address these.

Policies and Procedures – There is detailed team guidance in place covering the referral and assessment process. Whilst there were a couple of areas where it was noted that additions needed to be made, it was observed that management are keen to improve and make changes where necessary. There were examples noted where internal guidance was held in different shared folders and one example of an out of date policy being on file, this is acknowledged by the service with a tidy up of filing planned.

Operational Processes – The team have now moved over to recording on LAS. This is a positive step in being able to standardise processes and enable more automated management information and performance reporting. Some inconsistencies in the use of LAS were noted. Sample testing noted examples where referrals and assessments had not been recorded on LAS, where cases had been recorded on manual forms instead (held on the shared drive and then uploaded to LAS), and cases where it had not been possible to locate referral documentation. It was reported that, around the time of the move to LAS, there was a need to have a manual system to fall back on. There were some examples reported where individual staff were unable to access LAS for recording and where system crashes meant that LAS could not be used for recording, however these issues are all now resolved. There were some inconsistencies noted in recording, some of which has an impact on the accuracy of management information produced. Delays were identified in the completion of assessment reports. The areas for improvement had all been identified by the service who are in the process of putting in measures to address them.

Management Information – As a consequence of the inconsistencies in recording, the accuracy of some of the management information being produced from LAS for Performance DLT meetings in relation to AMHPS Team activity has been impacted. It is positive to note that it has been reported by the Operations Manager that the discrepancies between the information coming from LAS and actual performance have reduced

significantly since the start of the year, indicating increased consistency in the use of LAS since audit testing was completed.

Review of supervision recording noted that the records being maintained for oversight of the supervision process across the team are out of date with none of the sessions sampled as part of the audit recorded on the monitoring spreadsheet.

The case audit process, recently introduced by the AMHP Team Manager, was noted as effectively identifying areas where improvements were required for follow up with individual team members as part of their supervision sessions. However, the frequency and coverage of the case audit process across the AMHPS team was found to be sporadic. To ensure that compliance with the OCC Supervision Policy for Adult Social Care Operational Staff can be demonstrated, it has been agreed that the process will be formalised with case audits taking place at the frequency and coverage required by the policy with clear summary records being maintained to provide assurance that this is taking place. It is acknowledged that cases are also reviewed in detail as part of routine supervision sessions.

Human Resources – Due to the way in which the AMHPS team operates, there are circumstances specific to the team where different pay enhancements and arrangements have been agreed. Whilst it was possible to satisfactorily resolve all audit queries arising as part of our sample testing, it was found that current allowances and agreements can be complicated and confusing with the potential for staff to be unaware of what they are and are not entitled to claim.

Follow up – of the 6 management actions agreed as part of the previous AMHPS audit in 2017/18, all have been reported as implemented. Testing completed as part of this audit has confirmed that 5 actions have been fully and effectively implemented. 1 was not tested as part of this audit.

## **AUDIT and GOVERNANCE COMMITTEE – 2 JUNE 2021 Internal Audit Strategy and Internal Audit Plan for 2021/22**

**Report by the Director of Finance**

### **RECOMMENDATION**

1. **The committee is RECOMMENDED to comment and note the Internal Audit Strategy and Internal Audit Plan for 2021/22.**

### **Executive Summary**

2. This report presents the Internal Audit Strategy and Internal Audit Plan for 2021/22. A separate plan for Counter-Fraud activity will be presented to the July 2021 Committee.
3. Appendix 2 sets out the annual Internal Audit plan for 2021/22.
4. The key focus of audit activity during the year includes
  - Financial Management
  - Contract Procurement
  - Contract Management
  - Directorate Strategic Risks
  - Capital Programme
  - Governance

### **Introduction**

5. The Accounts and Audit Regulations 2015 state that the Council needs to maintain an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with the proper internal audit practices; these are defined as the Public Sector Internal Auditing Standards 2013, updated March 2017.
6. The Public Sector Internal Auditing Standards defines “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s 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.”

7. The Chief Internal Auditor is required to provide an annual report on the System of Internal Control which is used to inform the Council's Annual Governance Statement. In providing this opinion we are required to review annually the financial management, risk management and governance processes operating within the Council. This includes reviewing internal control systems for key processes on a risk basis.
8. The Internal Audit Annual Plan is drafted and presented at the start of each financial year, however, will evolve and needs to be dynamic and subject to amendments / responsive to organisational change and resulting emerging risks during the year. The operational impacts, new control environment, any changes in governance arrangements, resulting from events such as the pandemic, need to be assessed and internal audit resources targeted across immediate priority areas for the organisation.

### **Audit Planning Methodology**

9. The Internal Audit Plan is developed to consider the corporate vision and priorities of Oxfordshire County Council, the Leadership Team's (CEDR) priorities and management's assessment of risk as set out in the strategic and directorate risk registers. The audit plan includes cross referencing to those priorities and risks.
10. We also use our own risk assessment against each activity assessing their significance, sensitivity and materiality – ranking each activity as high, medium or low priority for inclusion within the Internal Audit Plan.
11. Audit planning is undertaken in accordance with Oxfordshire County Council's Internal Audit Charter and Public Sector Internal Audit Standards.
12. As part of the annual planning process the Chief Internal Auditor meets with members of CEDR (Chief Executive Direct Reports) and other Senior Managers. This provides crucial insight and intelligence into the strategic and operational priorities of the organisation. There are regular meetings with each of the Directorates to ensure the plan is kept under continuous review. The plan is also reviewed quarterly with reference to the risk registers and presented to the Audit and Governance Committee for consideration and comment. This ongoing review and insight enables the audit plan to be flexible to meet any changing assurance needs and risks of the organisation.
13. The Audit and Governance Committee will continue throughout 2021/22 to gain assurance through reports from Senior Management on key areas.

14. Our aim is to align our work with other assurance providers, including the External Auditors, Health Auditors and the auditors for the IBC (Hampshire's Integrated Business Centre).
15. The Chief Internal Auditor is a member of the Corporate Governance Assurance Group, which supports the monitoring and development of the assurance framework and production of the Annual Governance Statement. This includes review of the key governance areas through the Corporate Leads.
16. The Chief Internal Auditor continues to attend the Counties Chief Auditor Network (National Group) and also the Midland Counties and Districts Chief Internal Auditors Group to enable networking and to share good practice. This contributes to the internal audit planning activity.
17. The Audit and Governance Committee will receive a quarterly report, including a status update on the approved work plans, and a summary of the outcomes of completed audits.

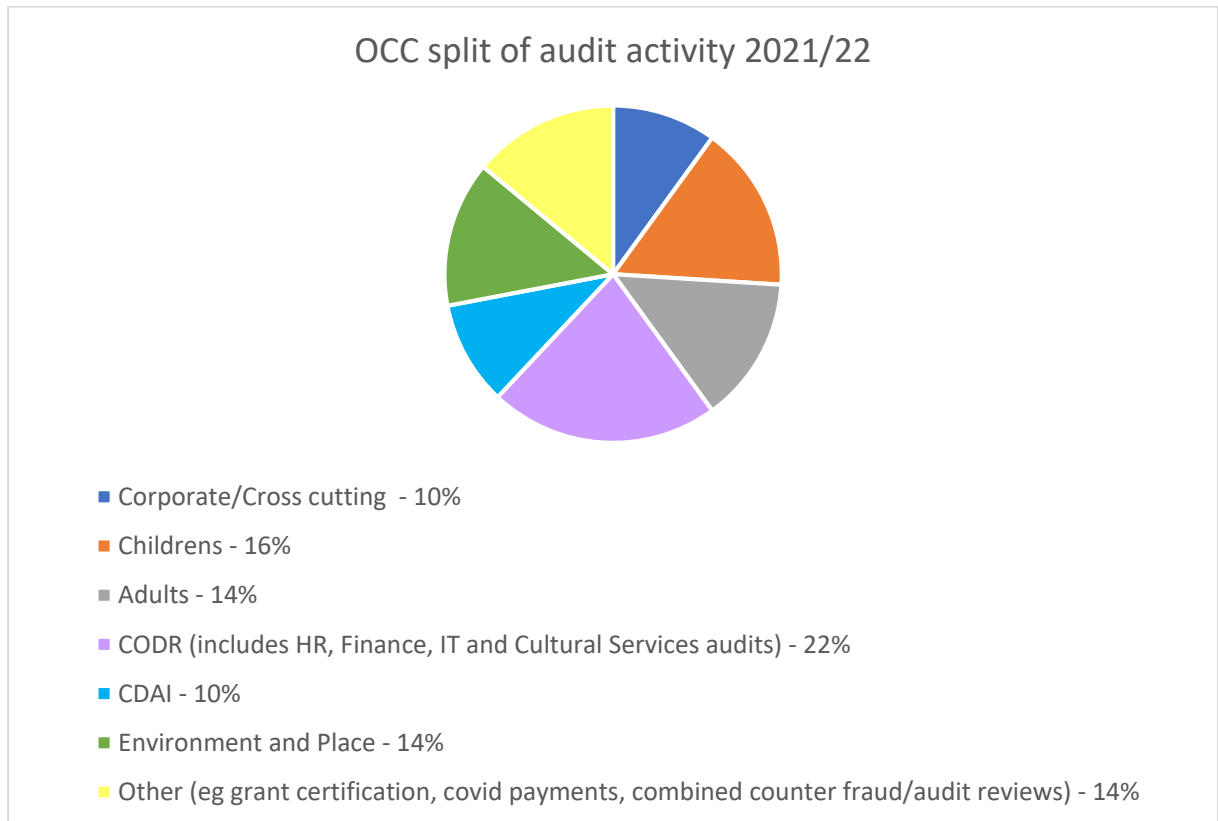
### **Counter-Fraud**

18. Internal Audit have the responsibility for Counter-Fraud. The Counter Fraud Strategy and Plan for 2021/22 will be presented to the July Audit & Governance Committee. This will include combined Counter-Fraud/Internal Audit activities.

### **Internal Audit Resourcing**

19. From 1 April 2020, the Internal Audit team commenced a joint working approach, providing the internal audit service across both Oxfordshire County Council (OCC) and Cherwell District Council (CDC). From 1 April 2021 we also now provide the Counter Fraud Service to CDC. One of the key benefits of this arrangement is being able to build a more sustainable team with the skills and capacity resilience that will help embrace future challenges. We were provided additional resources across Internal Audit and Counter Fraud, to be able to provide the joint service and during 2020/21 we successfully recruited to the new posts. The audit management team strongly believe that working as an in-house internal audit function in any organisation drives an increased quality of output, as not only do the in-house team members have a good strategic and operational understanding of the organisation, but also have an ongoing commitment to organisational improvement and adding real value.
20. The 2021/22 internal audit structure is included in Appendix 3. The Audit & Governance Committee are regularly updated regarding the Internal Audit resourcing position.

21. The planned chargeable days available to OCC in 2021/22 = 1100 (after deducting overheads such as annual leave, and other absences). The planned days available for Internal Audit assignments are 915 days. This is in line with the previous allocations in 2020/21. (Other Chargeable days – non- audit assignment, are recorded at the end of the narrative plan in Appendix 2) The following chart shows an approximate split of chargeable audit activity days across directorates.



## Quality & Performance

22. Oxfordshire County Council Internal Audit operates in conformance with the Public Sector Internal Audit Standards. We promote excellence and quality through our audit process, application of our Quality Assurance Improvement Programme and training and development. During 2021/22 we will be supporting two members of staff to complete the Chartered Internal Audit qualification. We are supporting another two members of staff to complete the Certified Internal Audit Qualification. We also have two apprentices within the team – one Counter Fraud and one for Internal Audit.
23. We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is

gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

24. The performance indicators for 2021/22 are attached as appendix 1 to this report.

**LORNA BAXTER**  
Director of Finance

Background papers: None.  
Contact Officer: Sarah Cox, Chief Internal Auditor.

**APPENDIX 1 PERFORMANCE INDICATORS 2021/22**

	<b>Performance Measure</b>	<b>Target</b>	<b>Frequency of reporting</b>	<b>Method</b>
1	Elapsed time between start of the audit (opening meeting) and the Exit Meeting	Target date agreed for each assignment by the CIA, no more than three times the total audit assignment days	Quarterly report to A&G Committee.	Internal Audit Performance Monitoring System
2	Elapsed time for completion of the audit work (exit meeting) to issue of draft report	15 Days	Quarterly report to A&G Committee.	Internal Audit Performance Monitoring System
3	Elapsed time between issue of draft report and the issue of the final report	15 Days	Quarterly report to A&G Committee.	Internal Audit Performance Monitoring System
4	% of Internal Audit planned activity delivered	100% of the audit plan by end of April 2022.	Report to A&G Committee.	Internal Audit Performance Monitoring System
5	% of agreed management actions implemented within the agreed timescales	90% of agreed management actions implemented	Quarterly Report to AWG	Action Management Tracking System
6	Customer satisfaction questionnaire (Audit Assignments)	Average score < 2 (1= Good, 2 = Satisfactory, 3 = Unsatisfactory, 4 = Poor)	Report to A&G Committee	Questionnaire
7	Directors satisfaction with internal audit work	Satisfactory or above	Every two years - review of the effectiveness of IA - Monitoring Officer report to A&G Committee	Questionnaire, last completed in 2018/19, next due 2021.



## APPENDIX 2:

### INTERNAL AUDIT PLAN 2021/22

DIRECTORATE / SERVICE AREA	AUDIT
Corporate / Cross Cutting	Provision Cycle - Prepare, Tender and Implement.
Corporate / Cross Cutting	Provision Cycle - Manage & Review
Childrens	Children's Payments via ContrOCC / LCS recording
Childrens	Childrens Education System – Implementation of New Council IT System
Childrens	Troubled Families
Childrens	Family Solutions Plus
Childrens	SEND
Childrens	Education Safeguarding
Adults & Housing	Direct Payments – Follow Up
Adults & Housing	Payments to Providers
Adults & Housing	Client Charging
Adults & Housing	Money Management
Adults & Housing	Supplier Business Continuity
Customers, OD & Resources – HR	Well-being / Sickness Management
Customers, OD & Resources – HR	IR35 (off-payroll rules)
Customers, OD & Resources – Finance	Treasury Management
Customers, OD & Resources – Finance	Growth Board – Accountable Body Role
Customers, OD & Resources – Finance	Pensions Administration
Customers, OD & Resources – Finance / IT & CDAI - Information Governance	Payment Card Industry Data Security Standard (PCI-DSS)
Customers, OD & Resources – IT	Cyber Security
Customers, OD & Resources – IT	IT Change Management
Customers, OD & Resources – IT	Software Asset Management
Customers, OD & Resources – IT	Data Centre
Customers, OD & Resources – Cultural Services	Music Service Follow Up
CDAI – Fire & Rescue & CODR – HR / Finance	Gartan Payroll & HR Processes

CDAI – Information Governance	GDPR
CDAI	Property / Facilities Management
CDAI / Corporate / Cross Cutting	Fleet Management – Compliance
Environment & Place / CODR – Finance	Capital Programme - Major Infrastructure
Environment & Place / CODR – Finance	Capital Programme - Highways Asset Management
Environment & Place	Highways Contract Management
Environment & Place	S106 – Spend
Corporate / Cross Cutting	Combined Audit & Counter Fraud Reviews
Corporate / Cross Cutting	Covid-19 Funding / Payments
Various	Grants

**Narrative Plan for 2021/22:**

Directorate / Service Area	Audit	Scope	Audit Needs Assessment	Link to Corporate Plan / Leadership Risk Register
Corporate / Cross Cutting	Provision Cycle - Prepare, Tender and Implement.	The audit will look to provide assurance on contract procurement activity and compliance with processes and standard approaches, across a sample of directorates/service areas, following implementation of improvements through the provision cycle work.	H	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR10 Organisational Change and Service Design.</i>
Corporate / Cross Cutting	Provision Cycle - Manage & Review	The audit will look to provide assurance on the robustness of contract management activity, across a sample of directorates/service areas, following implementation of improvements through the provision cycle work.	H	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR10 Organisational Change and Service Design.</i>

Childrens Services	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 of ContrOCC Payments undertaken in Q4 of 2019/20.	M	<i>Corporate Plan: Strive to give every child a good start in life and protect everyone from abuse and neglect. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR2 Safeguarding of vulnerable children.</i>
Childrens Services / IT	Childrens Education System – Implementation of New Council IT System	Internal Audit will look to provide assurance, pre-implementation, over the design of the new Education IT system, any changes to operational processes and the internal control environment.  The audit will also review key system implementation controls, including data migration, system security, testing and training (this will follow on from initial work completed in Q4 of 2020/21).	H	<i>Corporate Plan: Strive to give every child a good start in life and protect everyone from abuse and neglect. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR2 Safeguarding of vulnerable children.</i>
Childrens Services	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 normally submits 3 – 4 claims per financial year.	Mandatory	<i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i>
Childrens Services	Family Solutions Plus	The audit will review the implementation of Family Safeguarding Plus. The detailed scope will be discussed and	H	<i>Corporate Plan: Strive to give every child a good start in life and protect everyone from abuse and neglect.</i>

		agreed with the Service, but it is planned that the audit will cover financial management including the local visibility of finance and corresponding activity information at team and locality level, monitoring and delivery of planned savings (this will follow on from initial work completed in Q4 of 2020/21).		<i>Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR1 Demand Management – Children</i>
Childrens Services	SEND	The audit will follow up on the progress with implementation of the agreed actions from the audit completed during 2020/21. Detailed scope of areas that will be reviewed in more detail will be discussed and agreed with the service.	H	<i>Corporate Plan: Strive to give every child a good start in life and protect everyone from abuse and neglect. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR1 Demand Management – Children</i>
Childrens Services	Education Safeguarding	The audit will provide assurance over the adequacy and effectiveness of the operational processes within Education Safeguarding. Detailed scope of areas to be covered will be discussed and agreed with the service.	M	<i>Corporate Plan: Strive to give every child a good start in life and protect everyone from abuse and neglect. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR2 Safeguarding of vulnerable children.</i>
Adults & Housing	Direct Payments – Follow Up	The audit will follow up on the implementation of the agreed action plan from the audit completed during 2019/20, testing the adequacy and effectiveness of the implemented improvements.	H	<i>Corporate Plan: Enable older and disabled people to live independently. We care for those in greatest need. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register:</i>

				<i>LR19 Safeguarding vulnerable adults.</i>
Adults & Housing	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.	H	<i>Corporate Plan: Enable older and disabled people to live independently. We care for those in greatest need. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR19 Safeguarding vulnerable adults.</i>
Adults & Housing	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: Enable older and disabled people to live independently. We care for those in greatest need. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR19 Safeguarding vulnerable adults.</i>
Adults & Housing	Money Management	The Money Management Service supports service users who are unable to manage their own financial affairs due to incapacity, vulnerability, or because they have been subject to financial abuse. The audit will provide assurance over the adequacy and effectiveness of operational procedures.	M	<i>Corporate Plan: Enable older and disabled people to live independently. We care for those in greatest need. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR19 Safeguarding vulnerable adults.</i>
Adults & Housing	Supplier Business Continuity	The audit will review the assurances Adult Social Care has in place that suppliers/providers have adequate business continuity arrangements in place.	H	<i>Corporate Plan: Enable older and disabled people to live independently. We care for those in greatest need. Listen to residents, so we can continuously improve our services and provide value for</i>

				<i>money. Leadership Risk Register: LR19 Safeguarding vulnerable adults.</i>
Customers, OD & Resources – HR	Well-being / Sickness Management	The audit will provide assurance over the effectiveness and compliance with well-being and sickness management policy/procedures. Employers are under obligation to protect employees and take reasonable steps to promote well-being and prevent work related stress etc. An effectively implemented wellbeing strategy can improve employee attendance, retention and productivity.	H	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR9 Workforce management.</i>
Customers, OD & Resources – HR	IR35 (off-payroll rules)	The audit will review compliance against IR35 off-payroll rules. These rules apply when an organisation employs a worker (contractor) who provides services through their own limited company or another type of intermediary.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money.</i>
Customers, OD & Resources – Finance	Treasury Management	The audit will provide assurance over the key control processes to provide assurance that funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.	H	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR11 Financial resilience.</i>
Customers, OD & Resources – Finance	Growth Board – Accountable Body Role	The Deal provides additional government funding for Oxfordshire, to deliver the key infrastructure required to underpin proposed housing development, and additional funds to increase the supply of	M	<i>Corporate Plan: Support a thriving local economy by improving transport links to create jobs and homes for the future. Listen to residents, so we can continuously</i>

		affordable housing. Delivery of the Deal is overseen by the Oxfordshire Growth Board. This audit will look to provide assurance that Oxfordshire County Council has robust processes in place to deliver its role as the accountable body for the Growth Board.		<i>improve our services and provide value for money. Leadership Risk Register: LR5 Management of Partnerships, LR3 Capital Infrastructure Programme Delivery.</i>
Customers, OD & Resources – Finance	Pensions Administration	This is an annual audit to test the key controls providing assurance that scheme members records are accurately maintained and that payment through the pension's payroll are accurate, timely and legitimate.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money.</i>
Customers, OD & Resources – Finance / IT & CDAI - Information Governance	Payment Card Industry Data Security Standard (PCI-DSS)	Card payments are taken online, via telephone and in person. The audit will review how the processing of cardholder and sensitive authentication data is protected and complies with PCI-DSS requirements. It will be completed across OCC and CDC.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money.</i>
Customers, OD & Resources – IT	Cyber Security	The audit will provide assurance that there are adequate and effective management and technical controls in place to protect against the growing number of cyber-threats.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR15 Cyber Security.</i>
Customers, OD & Resources – IT	IT Change Management	Change management procedures have been revised following the implementation of the new service management tool. The audit will review the processes for managing changes to	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR16 ICT Infrastructure</i>

		the ICT environment and that these changes are appropriately authorised and tested prior to implementation.		
Customers, OD & Resources – IT	Software Asset Management	Software compliance is a legal requirement under the Copyright, Design and Patents Act 1988. The audit will review controls over the management of computer software, specifically to ensure there are adequate software licences for the software in use.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money.</i>
Customers, OD & Resources – IT	Data Centre	The audit will provide assurance that the data centre is effectively managed and monitored, including deployment and utilisation of relevant tools.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR16 ICT Infrastructure</i>
Customers, OD & Resources – Cultural Services	Music Service Follow Up	The audit will follow up on the implementation of the agreed actions from the audit completed during Q4 of 2020/21.	M	<i>Corporate Plan: Provide services that enhance the quality of life in our communities. Listen to residents, so we can continuously improve our services and provide value for money.</i>
CDAI – Fire & Rescue & Customers, OD & Resources – HR / Finance	Gartan Payroll & HR processes	The audit will provide assurance over the HR and payroll processes operated within the Oxfordshire Fire and Rescue Service. This includes the Gartan Payroll Module which was implemented in 2015. The pay for 'on-call' fire service staff and some 'whole-time' staff additional hours pay is calculated from the Gartan Pay system. This information is then uploaded to the IBC system for payment.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money.</i>



CDAI – Information Governance	GDPR	The audit will review compliance against the General Data Protection Regulation (GDPR) and Data Protection Act 2018.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money.</i>
CDAI	Property / Facilities Management	The management of property, facilities and energy management operations were brought back in house, following the collapse of Carillion in 2018. The service is currently subject to re-design, which will include joint working across OCC and CDC. The detailed scope of the audit will be agreed with senior management.	H	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR12 Property and Assets</i>
CDAI / Corporate/Cross cutting	Fleet Management – Compliance	Following a review of fleet management completed by the council during 2019, and a current review to establish new operational arrangements for the management of the council's fleet of vehicles, the audit will support this work by testing compliance of key controls in respect of driver licence checks, vehicle checks, insurance and taxation across the directorates.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money.</i>
Environment and Place / CODR – Finance	Capital Programme - Major Infrastructure	The audit will provide assurance over the governance and processes in place for a sample of major infrastructure schemes.	H	<i>Corporate Plan: Support a thriving local economy by improving transport links to create jobs and homes for the future. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk</i>

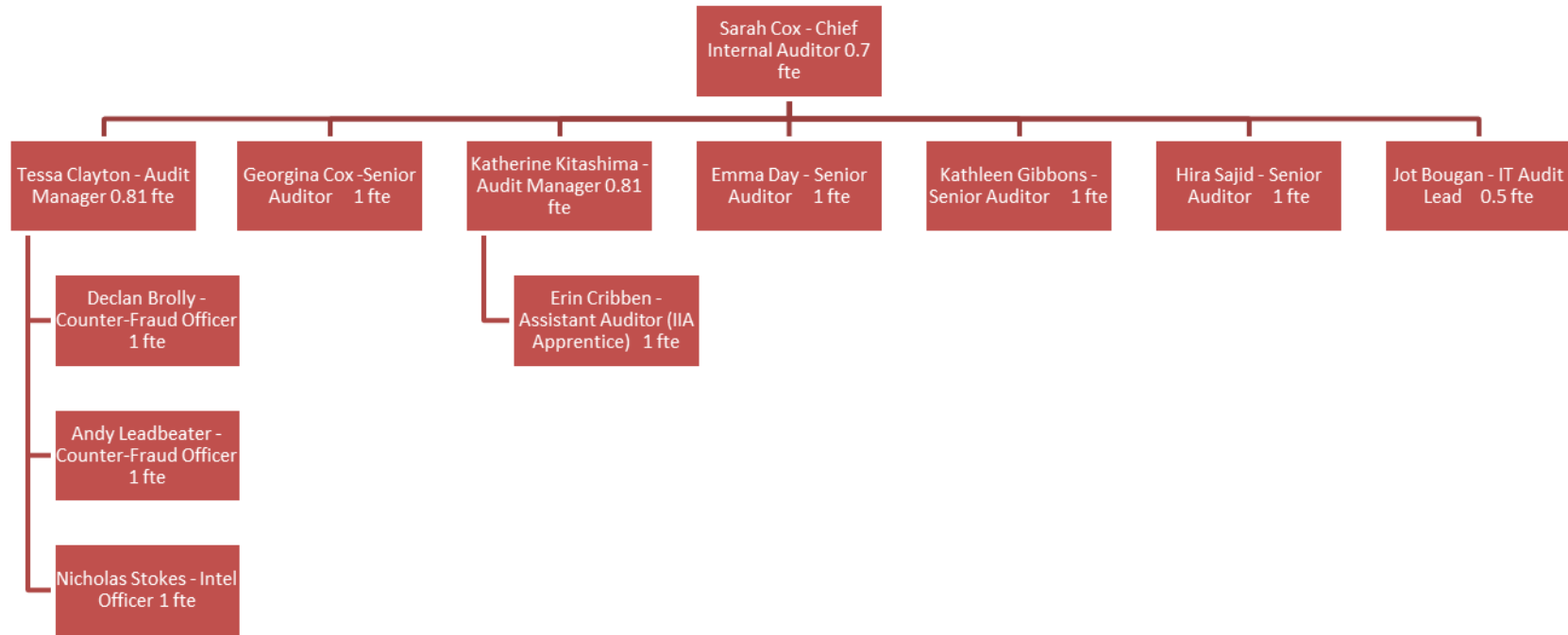
				<i>Register: LR3 Capital Infrastructure Programme Delivery</i>
Environment and Place / CODR – Finance	Capital Programme - Highways Asset Management	The audit will provide assurance over the governance and processes in place for a sample of highways asset management schemes.	H	<i>Corporate Plan: Support a thriving local economy by improving transport links to create jobs and homes for the future. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR3 Capital Infrastructure Programme Delivery</i>
Environment and Place	Highways Contract Management	The council has a major contract in place for highways management, with a planned change of ownership of the existing contractor. The audit will provide assurance over the continued robustness of contract management arrangements. Following implementation of a new finance system by the contractor the audit will review the adequacy and accuracy of information submitted for monitoring and payment of costs.	M	<i>Corporate Plan: Support a thriving local economy by improving transport links to create jobs and homes for the future. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR3 Capital Infrastructure Programme Delivery</i>
Environment and Place	S106 – Spend	The audit will provide assurance over the systems in place across the services, for spending funding secured via S106 agreements.	M	<i>Corporate Plan: Support a thriving local economy by improving transport links to create jobs and homes for the future. Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR3 Capital Infrastructure Programme Delivery</i>

Corporate / Cross Cutting	Combined Audit & Counter Fraud Reviews (also see Counter Fraud Plans)	Combined audit & counter fraud proactive reviews of financial systems / processes (e.g. procurement cards). The areas will be based upon risk. These will be included within the Counter Fraud Plan on completion of a risk assessment.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money.</i>
Corporate / Cross Cutting	Covid Funding / Payments	There will be flexibility within the plan for Internal Audit / Counter Fraud to provide assurance over the accuracy and integrity of a sample of covid grants / payments, as required / requested. This will follow on from the work already completed during 2020/21. It will include grants which require Chief Internal Auditor certification.	M	<i>Corporate Plan: Listen to residents, so we can continuously improve our services and provide value for money. Leadership Risk Register: LR17 Community and Customers.</i>
Various	Grant Certification	There are several requests made throughout the year for Chief Internal Auditor sign off, of grant certifications. For 2021/22 these include: <ul style="list-style-type: none"> <li>• Disabled Facilities Grant</li> <li>• Highway Maintenance Block</li> <li>• Highway Maintenance Block Incentive</li> <li>• Integrated Transport Highways Management Block Grant</li> <li>• Pothole Challenge Fund</li> </ul>	Mandatory	<i>Chief Internal Auditor sign off – requirement of grant claim conditions.</i>

Other (Chargeable days – non-audit assignment)				
<p>There are days which are not attributed to specific planned audit activity and include:</p>	<ul style="list-style-type: none"> <li>• Chief Internal Auditor’s management days</li> <li>• Preparation of the audit plan and operational planning</li> <li>• Reports for the Audit Working Group and Audit &amp; Governance Committee</li> <li>• Attendance at Leadership Team meetings and regular meetings with Senior Management</li> <li>• Attendance at the Corporate Governance Assurance group including contribution to and overview of the Annual Governance Statement</li> <li>• External Audit liaison</li> <li>• Liaison with other assurance providers, for example Hampshire Internal Audit and OCCG Auditors.</li> <li>• Follow up on implementation of agreed management actions.</li> <li>• Annual self-assessment against internal audit standards – In accordance with the requirements of the Public Sector Internal Audit Standards</li> <li>• Advice and Liaison</li> <li>• Production of the Chief Internal Auditors’ Annual Report</li> <li>• Development of data matching / analytics</li> <li>• Contribution to change management programmes</li> <li>• Admin support for actual audit work</li> </ul>			

**APPENDIX 3:**

**OCC & CDC INTERNAL AUDIT AND COUNTER FRAUD TEAM  
STRUCTURE 2021/22**



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## AUDIT & GOVERNANCE COMMITTEE – 2 June 2021

### REPORT OF THE AUDIT WORKING GROUP – 28 April 2021

Report by Director of Finance

#### RECOMMENDATION

1. **The Committee is RECOMMENDED to note the report.**

#### Executive Summary

2. The Audit Working Group met on 28 April 2021. The group received the quarterly internal audit progress report, including counter fraud update

#### Introduction

Attendance:

Full Meeting: Chairman Dr Geoff Jones Councillors: Nick Carter, Roz Smith, Deborah McIlveen, Glynis Phillips and Charles Mathew.

Anita Bradley, Director of Law and Governance, Ian Dyson, Assistant Director of Finance; Sarah Cox, Chief Internal Auditor, Lucy Tyrrell, Committee Officer, Katherine Kitashima, Audit Manager, Tessa Clayton, Audit Manager.

Part Meeting:

Steve Jordan Corporate Director for Commercial Development, Assets and Investment, Karen Fuller – Deputy Director of Adult Social Care.

#### Matters to Report:

##### AWG 21.10 Internal Audit Update

3. The group received an update from the Chief Internal Auditor on progress against the Internal Audit Plan, including amendments made since the last update to the January 2021 A&G meeting. A full update on plan progress is due to be made to the June A&G committee, when the annual report will be presented.
4. The group noted the ongoing follow up of Red reports and have a scheduled update from officers at the June 2021 AWG meeting to report back on progress of implementation of agreed actions from the audit of Direct Payments 2019/20.
5. The group noted the positive improvement with the implementation of management actions, and previous actions which had not been responded to. The group highlighted actions which remain outstanding from previous financial years. These will be followed up by Internal Audit with each Directorate.

6. The group considered the executive summaries from the reports finalised since the last update to the A&G committee in January and noted that the remainder of executive summaries for the 2020/21 plan will be presented to the June 2021 committee once they are finalised.
7. The group were provided with an update on current counter fraud investigations that are in progress, including cases that have been referred to the police. Upon conclusion of these investigations they will be reported back to the AWG and A&G committee, confirming findings, outcomes/sanctions and where there has been action required to improve the control environment.
8. The group noted the current developments with establishing a more collaborative approach with Thames Valley Police (TVP) on investigations and that the team were currently working with TVP to produce a memorandum of understanding to cover the proposed new working arrangements. This new approach is supported by having dedicated Counter Fraud Officers within the team.

#### **AWG 21.11**

9. Following previous agenda items to consider the internal audit of SEND 20/21 the group had requested sight of the DfE's 6 Month Progress Review Letter. This was circulated and considered. The group noted the positive outcome of the review and the good response to implementation of the action plan resulting from the internal audit. Therefore, the group had no further queries, noting that further assurance will be received later during 2021/22 when a follow up internal audit of SEND is planned.

**LORNA BAXTER,**  
Director of Finance

Contact Officer: Sarah Cox, Chief Internal Auditor  
April 2021.

[sarah.cox@oxfordshire.gov.uk](mailto:sarah.cox@oxfordshire.gov.uk)

Date of next AWG meeting Wednesday 23 June 2021 at 14:00

Agenda items for AWG June meeting:

- Risk Management Update – including Leadership Risk Register
- Directorate Risk Management Update – CODR
- Direct Payments
- Statement of Assurance – Fire and Rescue
- AWG Terms of Reference



## **AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2021/22**

### **21 July 2021**

Ernst & Young – Final Accounts Audit (Janet Dawson)  
Statement of Accounts 2020/21 (Hannah Doney)  
Internal Audit Charter (Sarah Cox)  
Counter-fraud Plan 2021/22 (Sarah Cox)  
OFRS Statement of Assurance 2020-21 (Don Crook)

### **15 September 2021**

Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Richard Webb)  
Ernst & Young – 2020/21 Annual Audit Letter (Janet Dawson)  
Counter-fraud Plan 2021/22 (Sarah Cox)  
Internal Audit Plan – Progress Report (Sarah Cox)  
Local Government Ombudsman's Review of Oxfordshire Co (Anita Bradley)  
Monitoring Officer Annual Report (Anita Bradley)

### **17 November 2021**

External Auditors (Janet Dawson)  
Treasury Management Mid-Term Review (Tim Chapple)  
Counter Fraud Update (Sarah Cox)  
Constitution Review (Anita Bradley/Glenn Watson)

### **19 January 2022**

Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 (Tim Chapple)  
Internal Audit Plan – Progress Report (Sarah Cox)

### **16 March 2022**

Ernst & Young – Progress Report inc. Audit Plan (Janet Dawson/Adrian Balmer/Chandrika Sharma)  
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)

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