



To: Members of the Audit & Governance Committee

Notice of a Meeting of the Audit & Governance Committee

**Wednesday, 21 July 2021 at 2.00 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.

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

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

Yvonne Rees
Chief Executive

July 2021

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

Membership

Chair – Councillor Roz Smith
Deputy Chair – Brad Baines

Councillors

Donna Ford
Nick Leverton

Dan Levy
Ian Middleton
Jane Murphy

Michael O'Connor
Judy Roberts

Co-optee
Dr Geoff Jones

Notes:

- ***There will be a pre-meeting held virtually on Monday 19 July 2021 at 10.00 a.m. for the Chair, Deputy Chair and Opposition Spokesman.***
- ***Date of next meeting: 15 September 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 for a hard copy of the document.

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

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declaration of Interests - see guidance note**
3. **Minutes (Pages 1 - 8)**

To approve the minutes of the meeting held on 2 June 2021 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 14 July 2021.** Requests to speak should be sent to 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. **Statement of Accounts 2020/21 (Pages 9 - 26)**

2.10 p.m.

Report by the Director of Finance.

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

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

The Committee is RECOMMENDED to

- (a) Consider and approve the Statement of Accounts 2020/21 at Annex 1;***
- (b) Consider and approve the Letter of Representations 2020/21 for the Oxfordshire County Council accounts at Annex 2;***
- (c) Consider and approve the Letter of Representations 2020/21 for the Oxfordshire Pension Fund accounts at Annex 3;***
- (d) Agree that the Director of Finance, in consultation with the Chair of the Committee (or Deputy Chair in their absence), can make any further changes to the Statement of Accounts 2020/21 and letters of representation that may arise during completion of the audit.***

Please note that Annex 1 – Statement of Accounts 2020/21 will follow as a separate addendum.

6. External Auditors - Final Accounts (Pages 27 - 80)

2.40 p.m.

Representatives from the external auditors, Ernst & Young, will attend to present the following report:

- Oxfordshire County Council Draft Audit results report Year ended 31 March 2021
- 9 July 2021

7. Internal Audit Charter (Pages 81 - 96)

3.00 p.m.

Report by the Director of Finance.

This report presents the Internal Audit Charter and Internal Audit Quality Assurance Programme for 2021/22. These are subject to annual review.

The committee is RECOMMENDED to:

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

8. Counter Fraud Plan (Pages 97 - 120)

3.20 p.m.

Report by the Director of Finance

This report presents the Counter Fraud Plan for 2021/22 and a review of activity from 2020/21. The updated Counter Fraud Strategy is included to note in Appendix 3.

The committee is RECOMMENDED to:

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

9. Audit Working Group Report (Pages 121 - 124)

3.40 p.m.

Report by the Director of Finance.

This report presents the matters considered by the Audit Working Group Meeting of 23 June 2021.

The Committee is RECOMMENDED to note the report.

10. Audit & Governance Committee Work Programme 2021/22 (Pages 125 - 126)

3.50 p.m.

To review the Committee's work programme.

Close of meeting

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

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 2 June 2021 commencing at 1.00 pm and finishing at 4.05 pm

Present:

Voting Members: Councillor Roz Smith – in the Chair

Councillor Brad Baines (Deputy Chair)
Councillor Donna Ford
Councillor Nick Leverton
Councillor Dan Levy
Councillor Jane Murphy
Councillor Michael O'Connor
Councillor Judy Roberts
Councillor Bethia Thomas (as substitute for Cllr Ian Middleton)

Non-voting Members Dr Geoff Jones

By Invitation: Maria Grindley and Adrian Balmer, Ernst & Young

Officers:

Whole of meeting Sarah Cox, Chief Internal Auditor; Anita Bradley, Director of Law and Governance; Lorna Baxter, Director for Finance; Katherine Kitashima, Audit Manager; Glenn Watson, Principal Governance Officer; Lucy Tyrrell, Committee Officer

Part of meeting

Agenda Item	Officer Attending
Item 6, 7, 8 and 9	Hannah Doney, Head of Corporate Finance; Tim Chapple, Treasury Manager

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with [a schedule of addenda tabled at the meeting] [the following additional documents:] and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

31/21 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Cllr Ian Middleton and Cllr Bethia Thomas attended as substitute.

32/21 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest received.

33/21 MINUTES

(Agenda No. 3)

The minutes of 3 March 2021 and 18 May 2021 were agreed.

Item 17/21 – Lorna Baxter, Director for Finance confirmed that all senior management roles have now been filled with the appointment of Bill Cotton, Corporate Director for Environment and Place.

Item 17/21 – Anita Bradley, Director of Law and Governance confirmed that a number of briefings had taken place on the Provision Cycle update, however, will ensure that all new members also receive further information following the all Member briefings.
(ACTION)

Item 17/21 – Anita Bradley, Director of Law and Governance confirmed that the extension of the Skanska contract was approved through Cabinet in May and this extension will last until 2025.

34/21 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

None.

35/21 AUDIT WORKING GROUP TERMS OF REFERENCE AND APPOINTMENTS TO THE AUDIT WORKING GROUP

(Agenda No. 5)

Dr Geoff Jones introduced gave an overview of the Audit Working Group which supports the work of the Audit and Governance Committee allowing additional time to review more comprehensive reports as requested.

The Chair requested Members review the Audit Working Group Terms of Reference and consider appointments to the Audit Working Group.

Nominations to the Audit Working Group were received from Councillors Smith, Baines, Ford and Roberts, with substitute members confirmed as Councillors Levy, O'Connor, Murphy and Middleton respectively.

RESOLVED to:

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

36/21 STATEMENT OF ACCOUNTS 2020/21

(Agenda No. 6)

Hannah Doney, Head of Corporate Finance introduced the Statement of Accounts 2020/21 report which set 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 Statement.
- The draft Going Concern Assessment.

Hannah Doney further highlighted the amended Accounts and Audit (Amendment) Regulations 2021 which 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. It is currently expected that the Council's draft accounts will be authorised by the Director for Finance for publication on or shortly after 7 June 2021, and published on the County Council's website, which also marks the period of public inspection which must last for 30 working days, and a notification of this publication will be sent to members of the Audit and Governance Committee.

Hannah Doney and Lorna Baxter, Director for Finance responded to Members' queries as follows:

- The Narrative Statement makes reference to the change of administration, however reference to this can also be made on the Corporate Plan. The figures supplied will be different as they relate to last year, as is a 'refresh' rather than 'rework' and will be shown correctly on the updated Corporate Plan later this year.
- The accounting policies are set out in a programme circulated to this Committee in March, and assets are revalued every three years.
- Performance indicators are included in the year end Business Management and Monitoring Report which will be considered by Cabinet in June.
- The year-end underspend position is not what we would usually expect to see. It is due to the exceptional circumstances of COVID, there are areas of overspend in school transport, and also underspend in property.
- Council Tax surpluses arise when collection is higher than predicted by the District and City Councils over the year and are closely linked to growth which is difficult to predict.
- The Business Management and Monitoring Report – March 2021 will be sent to Cabinet for the 22 June 2021 meeting and will include a reflection of the year in more detail.
- The Contain Outbreak Management fund is government funding from November 2020 to support the November/ December lockdown period.

Following on from the Audit and Governance briefing sessions made available to all members of this Committee, it was agreed to run a further detailed briefing on the Statement of Accounts 2020/21, agreed for 23 June 2021. Clerk to organise virtual session. **(ACTION)**

RESOLVED 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.**

37/21 ANNUAL GOVERNANCE STATEMENT

(Agenda No. 7)

Anita Bradley, Director of Law and Governance introduced the report which monitors and evaluates the effectiveness of governance arrangements in the previous year and sets out any planned changes for the coming period, of which the responsibility of approval sits with this Committee. Anita Bradley further highlighted that it is intended to be a short review of the governance of the administration of the previous year.

The Committee are asked to approve this statement, subject to any necessary amendments in light of comments made by this Committee, and Anita Bradley urged members to do so as this would enable the report to form part of the Council's Statement of Accounts and meet the set timescales.

Dr Geoff Jones expressed his concerns that this report was not made available to the Audit Working Group's previous meeting, and that there are references made to outstanding actions that require assurances they have been dealt with fully. Sarah Cox, Chief Internal Auditor responded that work carried out by the Audit Working Group is not subject to public domain, and issues raised were dealt with fully enabling her to support the opinion of the Annual Governance Statement.

Members questioned the disparity between this document and the Council's constitution regarding the Scheme of Delegation. Anita Bradley assured members that she will undertake this review with Sarah Cox, she further advised that it is a 'backward looking' document, and disparities will be reviewed as part of the constitutional review.

Members thanked Anita Bradley for the report which included Governance Actions, of which Annex 2 included actions identified for 2021/22 and requested timescales be included for ease of monitoring. Anita Bradley advised she will undertake this action.
(ACTION)

RESOLVED to approve the Annual Governance Statement 2020/21, subject to the Monitoring Officer making any necessary amendments in the light of comments made by the Committee, after consultation with the Leader of the Council, the Chief Executive and the Section 151 Officer.

38/21 ERNST & YOUNG - PROGRESS REPORT

(Agenda No. 8)

Maria Grindley and Adrian Balmer from Ernst & Young presented the following reports:

- Oxfordshire County Council Outline Audit planning report Year ended 31 March 2021
- Oxfordshire Pension Fund Audit Plan year ended 31 March 2021

and responded to Members' queries as follows:

- The difference in expert opinion regarding the valuation of assets was presented to the Committee at the previous meeting and related to the valuation of special schools and a small number of primary schools. There has been increased focus and preparational working with the Council which will enable a better position to agree valuations for this year.
- The additional charges relate to changes to accounting standard requirements, how work is carried out through regulators and quality improvements as required. It is standard procedure for all auditing firms in line with PSAA practice.
- Close working practices with Oxfordshire County Council ensure that the liability for the principal or agent when accounting for the risk in COVID grant transactions are consistently recorded.

Adrian Balmer, Ernst & Young introduced the report for the Oxfordshire Pension Fund Audit Plan year ended 31 March 2021 and responded to Members' queries as follows:

- Whilst not a member of the pension team, can confirm that London boroughs do invest in private equity.
- The pension fund has moved to a more environmentally friendly investment, with the changes to Brunel fund.

39/21 TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT

(Agenda No. 9)

Tim Chapple, Treasury Manager introduced his second report of the financial year 2020/21 which set out the position as at 31 March 2021. Tim Chapple confirmed that following a competitive tendering exercise for external advisors in May 2021, we have successfully contracted with Link Treasury Services for three years until 31 May 2024.

Tim Chapple responded to Members' queries as follows:

- CIPFA Code of Practice and treasury management states that we should prioritise security and liquidity above yield.
- The funds invested in have signed up to the UN's Responsible Investment Principles, therefore, although none of them have an explicit ESG policy, they all have a regard to ESG criteria.
- There has been a consultation on the CIPFA Code of Practice of which the results are expected in October 2021 and is expected to include an update on ESG.
- Under the Local Government Act 2003, it is implicit that local governments will not fail, and carries the same risk as lending to national government, therefore the only risks associated are with reputational risk.
- The debt portfolio is historic and at a fixed rate, this debt will be allowed to mature as to pay off early would incur punitive costs.

RESOLVED to note the report, and to RECOMMEND Council to note the Council's Treasury Management Activity in 2020/21.

40/21 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR

(Agenda No. 10)

Sarah Cox, Chief Internal Auditor introduced the report which summarised the outcome of the Internal Audit work in 2020/21 and provided 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 report set out the basis for the opinion of which was that there is satisfactory assurance regarding Oxfordshire County Council's overall control environment and the arrangements for governance, risk management and control. The report concluded with the performance in achieving the target date for the exit meeting for each assignment which has been impacted upon due to COVID pressures.

Sarah Cox responded to Members' questions as follows:

- Performance indicators reflect the position achieved due to the impact of COVID, however it is important to note that moving forward, there is a robust team in place, and reports are responded to on a timely basis.
- We joined Hampshire IBC in 2015 to enable a self service system that we could not provide at the time, however a review of this service would be beneficial.
- Although the Music Service has actions outstanding, these are not considered to be RED, and are in the process of being completed.
- The full Audit Report has detailed findings within its action plan, it is updated through our electronic system, and we also ensure that timeframes continue to be realistic and adjusted if necessary.
- Areas with RED reports are monitored through the Audit Working Group (AWG) and CEDR, until assurances are reached and agreed.
- It is not guaranteed that councils will always achieve a satisfactory opinion, we use the same grading system and are externally audited to ensure we are able to demonstrate that opinion.
- The Committee are able to request further reports to be scrutinised more closely by the AWG.
- The outstanding audit of the Order of St Johns Contract should be finalised for the next meeting of the Committee.

RESOLVED to consider and endorse this annual report.

41/21 INTERNAL AUDIT STRATEGY & ANNUAL PROGRESS PLAN 2021/22

(Agenda No. 11)

Sarah Cox, Chief Internal Auditor, introduced the report which presented the Internal Audit Strategy and Internal Audit Plan for 2021/22 and notified that a separate plan for Counter-Fraud Activity will be presented to the July 2021 Committee.

Sarah Cox advised that due to limited resources, focus has been on key areas and the plan will change throughout the year being presented to the Committee again in September 2021 and January 2022.

Sarah Cox responded to Members' queries as follows:

- Time and budget allocation of audits is dependent on considered risk and activity level and are not proportioned by Directorate.
- The new Provision Cycle has increased the focus on all directorates to ensure sound contract management, and this will affect audit activity over the next year.
- Since April 2020, joint audit arrangements for CDC were implemented, and extended to the Counter-Fraud service from 2021 which enabled a more sustainable team with additional resources. Time is proportioned by size and need.
- The internal audit plan when next presented in September will include rough indicators of the quarters, enabling a better system of monitoring for members. **(ACTION)**.

Cllr Dan Levy requested that when undertaking the sample for capital programmes of highways asset management, could an allocation of active travel schemes be included along with a compliance of highways teams in practice to the policies set by OCC? Sarah Cox agreed that these requests will be considered as part of the internal audit scoping process. **(ACTION)**.

RESOLVED to comment and note the Internal Audit Strategy and Internal Audit Plan for 2021/22.

42/21 AUDIT WORKING GROUP REPORT

(Agenda No. 12)

Dr Geoff Jones introduced this report which summarised the meeting of the Audit Working Group meeting held on 28 April 2021. He further highlighted the update on the current counter-fraud investigations that are in progress, including cases that have been referred to the police, of which the conclusions will be reported back to the Audit Working Group and Audit & Governance Committee.

RESOLVED to note the report.

43/21 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2021/22

(Agenda No. 13)

There were no changes noted to the Audit & Governance work programme.

..... in the Chair

Date of signing

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Divisions Affected - All

AUDIT & GOVERNANCE COMMITTEE - 21 July 2021

Statement of Accounts 2020/21

Report by Director of Finance

RECOMMENDATION

1. The Committee is RECOMMENDED to
 - (a) Consider and approve the Statement of Accounts 2020/21 at Annex 1;
 - (b) Consider and approve the Letter of Representations 2020/21 for the Oxfordshire County Council accounts at Annex 2;
 - (c) Consider and approve the Letter of Representations 2020/21 for the Oxfordshire Pension Fund accounts at Annex 3;
 - (d) Agree that the Director of Finance, in consultation with the Chair of the Committee (or Deputy Chair in their absence), can make any further changes to the Statement of Accounts 2020/21 and letters of representation that may arise during completion of the audit.

Executive Summary

2. This report sets out the latest position on the preparation and audit of the 2020/21 Statement of Accounts including:
 - Authorisation of the Draft Accounts and Period of Public Inspection
 - Progress on the external audit
 - Agreed amendments to the draft Statement of Accounts
 - Conclusion of the audit

Authorisation of the Draft Accounts and External Audit Progress

3. The Accounts and Audit (Amendment) Regulations 2021, which amend the Accounts and Audit Regulations 2015, 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 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.

Authorisation and Publication of the draft statement of accounts

5. The draft Statement of Accounts were authorised for issue on 24 June 2021 and published alongside the Annual Governance Statement on the [Annual accounts and audit](#) page of the County Council's website. The period of public inspection commenced on 25 June 2021 and will conclude on 6 August after 30 working days.
6. A training session was held for members of the Committee on 23 June 2021 to review the draft accounts which were shared with the Committee in advance of the session. The session was well attended.
7. As noted in the report to Audit and Governance Committee on 2 June 2020, there were two areas where only incomplete information was available in time for the publication of the draft accounts. These were:
 - Valuations of Property, Plant and Equipment (PPE) relating to 17 Care Homes and;
 - Business Rate and Council Tax Collection fund values
8. The Care Home valuations were received on 9 July 2021 and have been incorporated into the draft accounts at Annex 1.
9. For 2020/21 the deadline for of Business Rate Collection Fund data submission was extended from 30 April to 30 June 2021 by MHCLG. During June, a further extension of the deadline to 7 July 2021 was announced. The County received final outstanding information from District Councils on 7 July. This information has been incorporated into the draft accounts at Annex 1.

External audit progress

10. The main external audit commenced on 7 June 2021 and good progress has been made to date. However, it must be acknowledged that the process has been particularly challenging due to the delay in receiving some of the information required to complete the statement of accounts.
11. In particular, the delays in receiving valuations of PPE have meant that the Corporate Finance team have been in the unusual situation of needing to respond to the audit queries while simultaneously compiling the draft accounts. This has inevitably led to responses to audit requests taking longer than usual to complete.
12. It should also be noted that the auditors have also been unable to start work on the Whole of Government Accounts (WGA) audit as the data collection tool kit has not been released by central government for 2020/21 meaning that the Council's submission is yet to be made. The auditors do not need to complete

their work on WGA to reach their opinion on the audit, however this work must be completed before the audit certificate can be issued.

Agreed Amendments to the Draft Statement of Accounts

13. In addition to including the updated information relating to Care Home valuations and the Collection Fund, a number of amendments to disclosures within the accounts have also been agreed with the external auditors and included in the latest version of the accounts at annex 1. These amendments change the way that information is presented to the reader of the accounts but do not require amendments to accounting entries within the Council's financial ledger and have no impact on the position of the General Fund.
14. The majority of the amendments are minor presentational changes. However, there have been significant revisions to 'Note 22. Movements on PPE'. The changes to this note are referenced in Section 4 of the External Auditor's Audit Results Report at Item 6 on the agenda.
15. 'Note 22. Movements on PPE' has been revised to amend the presentation of the derecognition of brought forward Assets under Construction (AuC) relating to new build academy schools totalling £19.9m.
16. The accounting for capital expenditure on academy schools is relatively complex as the Council has a statutory duty for the sufficient provision of school places and the funding of new schools but does not have the statutory powers to operate the assets once they are constructed. This means that the Council bears the risk in the construction of the assets but doesn't receive the benefit. The value of the expenditure is held on the Council's balance sheet as AuC while the Council continues to bear the risk relating to the construction of the asset. In practice this is until a licence agreement has been signed to transfer the operational asset to the relevant academy trust on a 125 year lease.
17. Under [Section 25 \(d\) of the Capital Finance and Accounting Regulations 2003](#) the Council is able to fund 'expenditure incurred on works to any land or building in which the local in which the 'authority does not have an interest, which would be capital expenditure if the local authority had an interest in that land or building'. This is treated as Revenue Expenditure Funded by Capital Under Statute (REFCUS) in the accounts. Spend on academy schools meets this criterion.
18. The original disclosure showed the brought forward AuC balance as transferred to REFCUS following licence agreements being put in place. However, as the expenditure occurred in a prior year, this has now been amended to show as a derecognition from AuC. The net position in the accounts is unchanged.

Unadjusted differences

19. An unadjusted difference is reported when auditors identify a misstatement that has not been adjusted by management which falls above the misstatement

materiality of £0.996m but below the overall materiality assessment of £19.912m.

20. At this stage there are no unadjusted differences to report for 2020/21. However, as the audit has not concluded there is a possibility that unadjusted differences could arise. If this is the case, the Letter of Representations must include management's rationale for not correcting the misstatement and be approved by the Audit and Governance Committee or by approved delegation.

Letters of Representations

21. Auditing standards require Ernst & Young LLP to obtain representations from management on certain matters material to their audit opinion. Separate letters of representations are required for the Oxfordshire County Council accounts and the Local Government Pension Fund accounts. The Audit & Governance Committee is required to consider and approve the letters of representations before they are signed by the Director of Finance and the Chairman of the Committee (recommendation b).
22. Draft Letters of Representation for the County Council and Pension Fund accounts are included at Annex 3 and 4 respectively. Updates to the letters may be required to reflect the outcome of the audits. Therefore, the committee is asked to agree that the Director of Finance, in consultation with the Chairman of the Committee (or Deputy Chairman in his absence), can make any further changes to the letters of representation that may arise during completion of the audit (recommendation d).

Assessment of Control Environment

23. The External Auditor's report at Item 6 on the agenda includes an assessment of control environment at Section 7. The report notes that there are no significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the financial statements of which members are not aware. However, one recommendation has been raised in respect of journal authorisation.
24. The Council's self-service finance model enables managers to enter journals into the accounting ledger without secondary authorisation. This process has been in place since the transition to the Shared Service Partnership in 2015. There were no changes to the control environment in respect of authorisation of journals during 2020/21.
25. There are a number of retrospective checks in place to ensure that erroneous or fraudulent journals are identified. These include checks by cost centre managers and routine exception reporting carried out by the Corporate Finance team. The importance of checking transactions is highlighted to cost centre managers through training and guidance.

Conclusion of the audit

26. The audit cannot be concluded until after the period for the exercise of public rights has been completed and as noted above, there are other areas where audit work is still ongoing. However, the majority of the testing has been undertaken and it is anticipated that the audit can be concluded in August and reported to the Audit and Governance Committee in September.
27. It is anticipated that the auditors will issue an unqualified opinion on the 2020/21 Statement of Accounts. At this stage of the audit, there are no amounts that have been identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2021.

Legal Implications

28. 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. Statement of Accounts 2020/21 (published as an addenda)
2. Letter of Representations 2020/21 for the Oxfordshire County Council accounts
3. Letter of Representations 2020/21 for the Oxfordshire Pension Fund accounts

Background papers: Nil

Contact Officer: Hannah Doney, Head of Corporate Finance (Deputy Section 151 Officer),
07584174654, Hannah.doney@oxfordshire.gov.uk

July 2021

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xx August 2021

Ernst & Young
FOA: Maria Grindley
EY
More London Place
London
SE1 2AF

This letter of representations is provided in connection with your audit of the council financial statements of Oxfordshire County Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council financial statements give a true and fair view of the Council financial position of Oxfordshire County Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on

Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the council financial statements, including those related to the COVID 19 pandemic.
 3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on 2 June 2021.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the council financial statements.
 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

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

E. Subsequent Events

1. Other than those described in Note 58. Of the council financial statements, there have been no events, including events related to the Covid-19 pandemic, subsequent to year end which require adjustment of or disclosure in the council

financial statements or notes thereto

F. Other Information

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

H. Going Concern

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

I. Ownership of Assets

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

J. Reserves

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

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the IAS 19 actuarial valuations of pension fund liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Asset Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the significant assumptions used in making the estimates for PPE Valuations and Pensions Liability appropriately reflect our intent and ability to carry out planned uses of assets valued.

3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Retirement benefits

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

Yours faithfully,

Director of Finance

Chair of the Audit and Governance Committee

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Associate Partner

Ernst & Young LLP

Wessex House

19

Threefield Lane

Southampton

SO14 3QB

Oxfordshire County Council
County Hall
New Road
OXFORD, OX1 1ND

Telephone: 01865 792422
Fax: 01865 726155

Yvonne Rees
Chief Executive

Date: xx August 2021

This matter is being dealt with by Sean Collins
Email: sean.collins@oxfordshire.gov.uk

Direct Line: 07554 103465
Fax: 01865 783358

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Oxfordshire Pension Fund ("the Fund") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2020 to 31 March 2021 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2020, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.
3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above

give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible to determine that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have reported to the Pensions Regulator that the scheme breached the regulatory requirement to issue annual benefits statements to all scheme members by 31 August 2017. An action plan has been agreed with the Regulator.
5. We have drawn to your attention all correspondence and notes of meetings with regulators.
6. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Fund Scheme (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
 - Involving financial improprieties;
 - Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Fund's financial statements;
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties;
 - Involving management, or employees who have significant roles in internal control, or others; or
 - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

¹ ISA (UK) 240.39(c),(d), and ISA (UK) 250A.16

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. You have been informed of all changes to the Fund rules.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 22 July 2020.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.
7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.
9. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

D. Liabilities and Contingencies

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

E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Independence

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

H. Derivative Financial Instruments

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

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

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

J. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31 March 2020 and dated 31 March 2021 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

K. Use of the Work of a Specialist

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

L. Estimates

Valuation of Investments

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We confirm that the significant assumptions used in making the investment valuations appropriately reflect our intent and ability to carry out the obligations of the Fund on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate are complete, including the effects of the COVID-19 pandemic, and made in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Going Concern

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

Yours faithfully,

Director of Finance

Chair of the Audit and Governance Committee

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**Oxfordshire County
Council
Draft Audit results
report**

Year ended 31 March 2021

9 July 2021

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Building a better
working world

Agenda Item 6



9 July 2021

Oxfordshire County Council
Audit & Governance Committee
County Hall
New Road
Oxford OX1 1ND

Dear Audit & Governance Committee Members

2020/21 Draft audit results report

We are pleased to attach our draft audit results report, summarising the status of our audit for the forthcoming meeting of the Audit & Governance Committee. We will update the Audit & Governance Committee at its meeting scheduled for 21 July 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our indicative findings related to the areas of audit emphasis, our views on Oxfordshire County Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on value for money arrangements.

This report is intended solely for the information and use of the Audit & Governance Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 21 July 2021.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Audit & Governance Committee and management of Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee, and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Oxfordshire County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive summary



Executive summary

Scope update

Changes in materiality - In our audit planning report tabled at the 2 June Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our planning materiality measure of 1.8% of gross expenditure on provision of services and performance materiality at 75% of planning materiality:

Materiality	Audit Plan	Final
Planning	£18.364 m	£19.912 m
Performance	£13.773 m	£14.934 m
Reporting	£0.918 m	£ 0.996 m

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.

The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous risk assessed consultation process for all auditor reports to ensure that they include the appropriate narrative.

Executive summary

Scope Update

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, audited accounts from 31 July to 30 September 2021 for all relevant authorities.

Impact of Covid-19

- ▶ Collection Fund: Due to the impact of the Covid-19 pandemic central government have allowed district councils more time to submit their Collection Fund figures to the Authority. As a result the Collection Fund figures in the draft unaudited accounts will need to be updated and will in turn need to be audited.

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

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

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

Status of the audit

Our audit work in respect of the Council opinion is well progressed. We have experienced some delays specifically in respect of the receipt of valuation information on Property, Plant and Equipment. This has delayed our internal specialists concluding on their work and also resulted in delays to the audit team completing their testing of valuations.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion



Executive summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

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Status of the audit - Value for Money

We have previously reported to the Committee the changes in the arrangements to the VFM for 2020/21. We are currently completing our risk assessment work and assessing the Council against the three sub-criteria. This includes arranging meetings with senior officers to understand in detail the arrangements in place. As at the date of this report we are not reporting any significant weakness in arrangements. We will provide an update at the September Audit & Governance Committee meeting on our final conclusions. This update will also include the timelines for receipt of the VFM Commentary and our conclusions against each of the three sub-criteria.



Executive summary

Audit differences

As at the date of this report, we are reporting one audit mis-statement greater than our reporting threshold of £14.934 m which will be amended. This was related to assets built by the County Council being recorded as negative additions as opposed to being derecognised upon transfer to Academies. Please see further details on Page 20 of the report.

There are currently no uncorrected mis-statements greater than our reporting threshold for uncorrected mis-statements of £0.996 m.

There have been a number of presentational and disclosure amendments which we have identified and have been corrected by management. See Section 4 of this report for further details of the mis-statements.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. Officers are still awaiting the final guidance supporting the WGA submission for 2020-21. This work will be completed at the end of the audit and we will provide an update on WGA at the September 2020-21 Audit & Governance Committee meeting.

We have no other matters to report.



Executive summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Oxfordshire County Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues;
- ▶ You concur with the resolution of the issue; and
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

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

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Control observations

During the audit, we did not identify any significant deficiencies in internal control.

However, during the audit we identified an issue in relation to journal authorisation and have made recommendations for improvement in relation to management's financial processes and controls. We will issue a detailed management letter at the September Audit & Governance Committee setting out our observations, these are also included in Section 07 of this report - Assessment of the control environment.

Independence

In our Audit Plan presented at the 2 June Audit & Governance Committee meeting we did not identify any independence issues.

Please refer to Section 9 for our update on Independence.



Executive summary

Areas of audit focus

Our audit plan identified significant risks and areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error	Our work on this area is underway and as at the date of this report we have found no indications of management override of controls.
Incorrect capitalisation of revenue expenditure	Our work on this area is underway and as at the date of this report we have found no instances of incorrect capitalisation of revenue expenditure.
Valuation of land and buildings	Our work on valuations has commenced but has been significantly delayed by the receipt of information from the internal and external valuers. As a result our internal valuations specialists have been unable to conclude their review of a sample of assets. In addition, this has also resulted in delays for the audit team in completing their review of a sample of assets. We have identified one material adjustment from the work completed to date and this is detailed at Section 4. As our work is still ongoing it is possible that further adjustments may arise.

Other area of audit focus	Findings & conclusions
Accounting for Covid-19 related Grant Expenditure	Our work on this area is well progressed and we have consulted with our technical team to consider consistency of the approach to two specific grants
Pension liability	We have agreed the Authority's pension liability disclosures to the actuarial report. However, we are awaiting the IAS19 assurance letter from the auditor of the Oxfordshire Pension Fund to enable us to conclude against this area of audit focus.
Accounting for Dedicated Schools Grant	Our work on this area is well progressed and we have consulted with our technical team
Going concern	The draft accounts included a detailed disclosure on going concern. Officers have used the assessment of the impact of Covid-19 on the Authority's finances, as reported to Cabinet, to draft the going concern disclosure note. We have scrutinised the financial assessment, cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We have requested further information supporting their overall assessment of the Going Concern assumption. We will provide an update on our consideration and final conclusion of this matter at the Audit & Governance Committee meeting.



02 Areas of audit focus





Areas of audit focus

Significant risk

Incorrect capitalisation of revenue expenditure

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What is the risk?

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

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

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

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

What judgements are we focused on?

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

What did we do?

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

What are our conclusions?

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

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

Our testing of capital additions is not currently completed however our testing to date has not identified any instances where expenditure had been inappropriately capitalised.



Areas of audit focus

Significant risk

Risk of error in the valuation of land and buildings

What is the risk?

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

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

What judgements are we focused on?

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

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

What did we do?

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

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

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

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

What are our conclusions?

We:

- ▶ considered the competence, capability and objectivity of the Council's valuers;
- ▶ considered the scope of the valuers' work;
- ▶ ensured Land & assets have been revalued within a 5 year rolling programme as required by the Code;
- ▶ ensured Investment Property assets had been annually revalued as required by the Code;
- ▶ considered if there were any specific changes to assets that should have been communicated to the valuer(s);
- ▶ ensured that it was appropriate that no disclosure needed to be made in the accounts in relation to any valuation uncertainty;

We noted no issues from the above procedures.

Our work in respect of this significant risk is still in progress and on the following page we detail the procedures we are currently undertaking to address the Significant Risk.



Areas of audit focus

Significant risk (cont'd)

Risk of error in the valuation of land and buildings

What is the risk?

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

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

What judgements are we focused on?

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

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

What did we do?

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

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

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

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

What are our conclusions?

As at the date of this report our work is still in progress in respect of the following:

- ▶ testing a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct;
- ▶ sample testing key inputs used by the valuer(s) when producing valuations;
- ▶ considering the results of the valuers' work;
- ▶ challenging the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary);
- ▶ testing journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;
- ▶ reviewing assets that are not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated;
- ▶ extending the sample of valuations considered by our EY valuation specialists concentrating on assets where we think valuations are more likely to be impacted by C-19 related market volatility;
- ▶ reviewing specifically any changes to approach to valuations as previously discussed and highlighted in 2019/20

We have experienced some delays in the receipt of the information from the external valuers'. We will report the findings from our work at the September Audit & Governance Committee meeting.



Areas of audit focus

Other areas of audit focus

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

What is the risk/area of focus?

What did we do?

Accounting for Covid-19 related grant funding

The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.

We considered the Council's judgement on material grants received in relation to whether it is acting as:

- An Agent, where it has determined that it is acting as an intermediary; or
- A Principal, where the Council has determined that it is acting on its own behalf.

We:

- Have selected a sample of Covid-19 grants received in year, for each item in our sample we have reviewed the Council's accounting treatment as agent or principal. We have sought technical support on the treatment of two grants received in year.
- Testing is still underway and therefore we have not concluded on this area of focus.

Valuation of defined benefit pension scheme

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

The Council's pension liability is a material estimated balance and is required to be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £824.6 million.

The information disclosed is based on the IAS 19 report issued by the Pension Fund actuary to the Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on its behalf.

We are required to undertake procedures on the use of the use of the actuary as management's expert and the assumptions underlying fair value estimates.

- Our testing for the defined pension liability is still underway and we have not concluded on this area of focus.



Areas of audit focus

Other areas of audit focus (continued)

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

What is the risk/area of focus?

Assessment and disclosures on Going Concern

Covid-19 has created a number of financial pressures throughout local government, creating financial stress in either, or a combination of, increasing service demand leading to increased expenditure in specific services, and reductions in income sources.

There remains a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the significant risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The auditor's report in respect of going concern covers a 12-month period from the date of the audit report, therefore the Council's assessment will also need to cover this period. The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

Accounting for Dedicated Schools Grant (DSG)

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

What did we do?

We are required to meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.

We discussed the detailed implications of the revised auditing standard with finance staff and noted the information provided in the committee papers, budget and the Medium Term Financial Strategy (MTFS) in support of the going concern disclosure.

At the time of writing this report, we have agreed with management to receive an assessment of the Council's going concern basis of preparation of accounts in order to conclude on this area following internal consultations.

We reviewed the workings behind DSG reserve; we are currently seeking technical support on the Council's treatment of the DSG deficit.



03 Audit report



Audit report

Draft audit report

TO BE INCLUDED AT THE END OF THE AUDIT

Our opinion on the financial statements

Page 44



04 Audit differences



Audit differences

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

Summary of adjusted differences

Known misstatements

We have identified one audit mis-statement greater than our threshold of £14.934 m.

Through our testing of property, plant and equipment additions we identified a negative manual adjustment to the assets under construction additions balance; on enquiry of management this was the derecognition of academies that have been built by the County and then transferred to the academies on completion.

The audit team have determined that the manual adjustment had been disclosed in the wrong line of the PPE note and should be moved from the additions line to the derecognition line of note 22. This adjustment will have an impact on other notes to the accounts and the final adjustments are in the process of being agreed with management however there is no impact on the general fund balance and County’s level of reserves.

As our work is ongoing in a number of areas it is possible that further amendments may arise.

We will provide an update on the conclusion of this mis-statement and any other above our reporting threshold at the Audit & Governance Committee meeting.



Audit differences

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

Summary of unadjusted differences

As at the date of this report there are no unadjusted mis-statements above our reporting threshold of £0.996 m which we need to bring to the attention of the Audit & Governance Committee.

We will provide an update at the Audit & Governance Committee meeting.



05

Value for money



Value for money

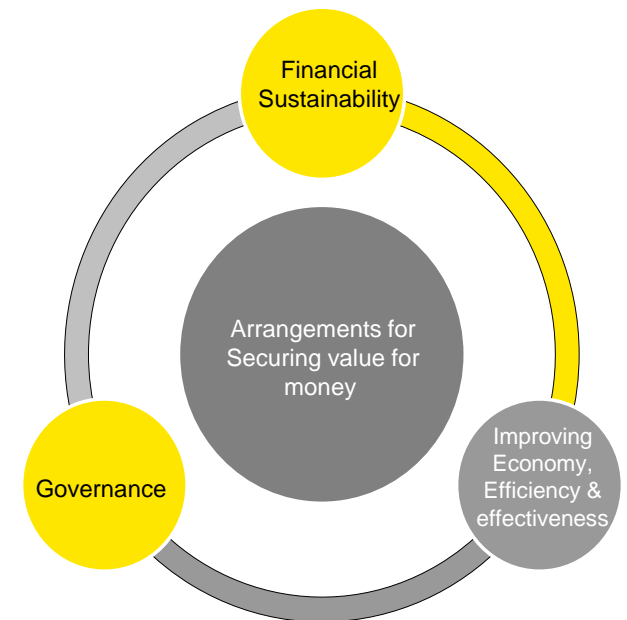
The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the **Council** is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the **Council** tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

We have previously reported to the Committee the changes in the arrangements to the VFM for 2020/21. We are currently completing our risk assessment work and assessing the Council against the three sub-criteria. This includes arranging meetings with senior officers to understand in detail the arrangements in place. As at the date of this report we are not reporting any significant weakness in arrangements. We will provide an update at the September Audit & Governance Committee meeting on our final conclusions. This update will also include the timelines for receipt of the VFM Commentary and our conclusions against each of the three sub-criteria.





06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2020/21 with the audited financial statements

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

Financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Page 51

Whole of Government Accounts

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

We are yet to commence our work in this area due to delays in the central guidance and will report any matters arising to the Audit & Governance Committee.

Other reporting issues

Other powers and duties

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

Other matters

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

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

As at the date of this report we have nothing in respect of other matters that we need to bring to the attention of the Audit & Governance Committee.



07

Assessment of control environment



Assessment of control environment

Financial controls

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




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

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware but we do raise one recommendation in respect of journal authorisation as can be seen on the next slide.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2020/21 audit (including IT controls). We will discuss with management and follow up as part of 2021/22 audit..

	High	Moderate	Low	Total
New points raised in FY20/21	0	0	1	1
Total open points as at 31 March 2021	0	0	1	1

- Key:
-  A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
 -  Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
 -  Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.



Assessment of Control Environment

Area	Journals	Rating	Low
Observation	<p>We note that there is no 'official' authorisation process in place when processing journals therefore a team member could post an erroneous/fraudulent journal which may not be identified.</p> <p>As a mitigating factor, we are aware that budget holders perform a review of their budgets on a regular basis however no evidence is kept on file of this review so there is no way to confirm that they have completed it.</p> <p>We recommend that OCC implement a journal approval process to reduce likelihood of inaccurate or inappropriate journals being processed to implement best practice guidance.</p> <p>In addition we recommend that OCC put in place procedures to evidence the review the budget holders complete to enhance this control and in order to demonstrate it operates effectively.</p>		
Management comment			

Reliance on internal audit

Whilst we do not rely on the work of your internal auditors, we have reviewed Internal Audit reports issued to management during the period to March 21. This is to ensure that any financial statement risks identified are considered in determining the extent of our audit procedures.



08 Data analytics



Management Override of Controls

What is the risk?

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

What judgements are we focused on?

We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions. The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

What did we do?

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

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

What are our conclusions?

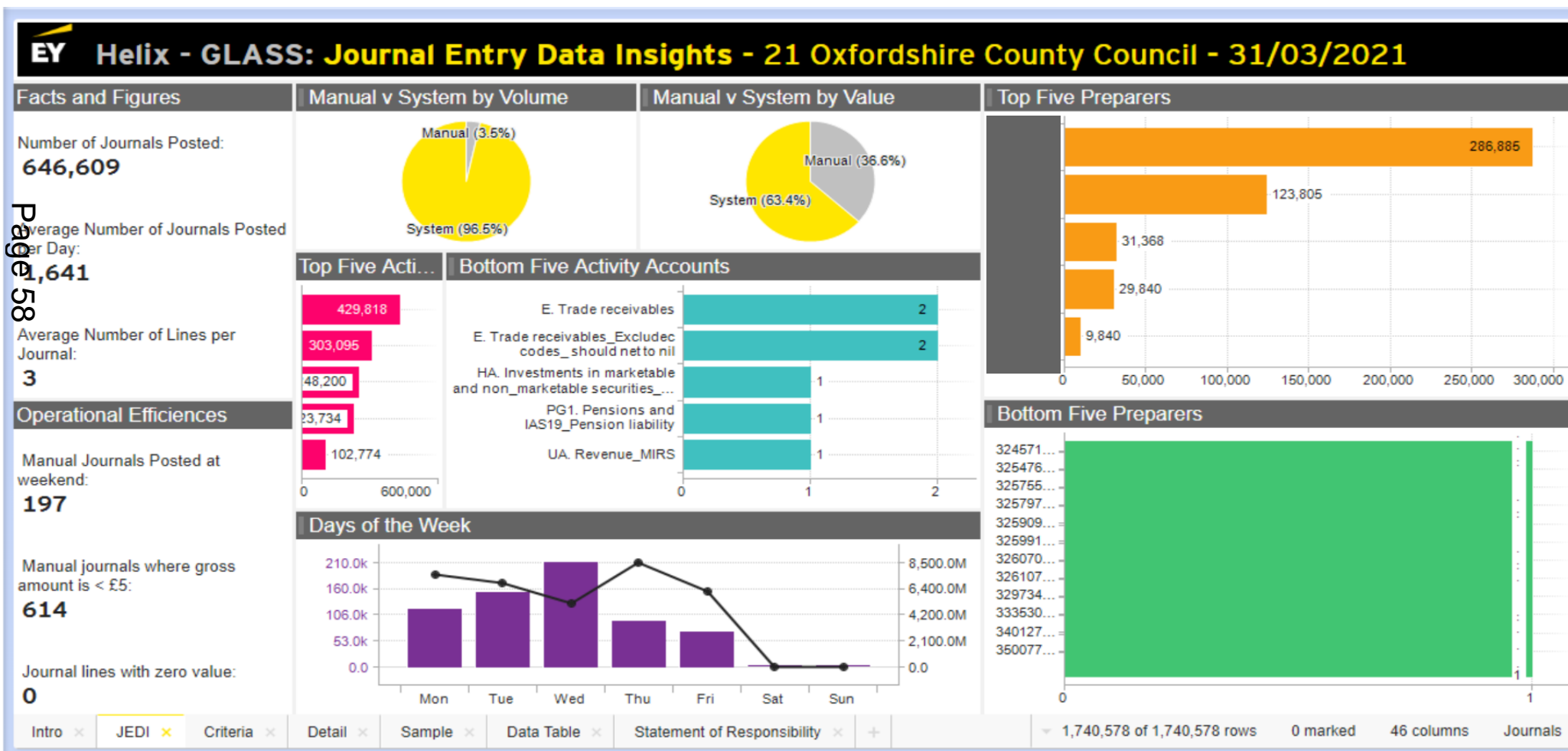
At the data of writing this report our journal entry tested is not concluded; we will conclude on the testing and report to you in September.



Data Analytics

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2020/21. We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions included in our data subset.





09

Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1st April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are shown below. Further detail of all fees has been provided to the Audit & Governance Committee with measurement against pre-approved limits.

Page 60

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

We confirm that we have not undertaken any non-audit work.

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 02 June 2021.

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

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit & Governance Committee on 21 July 2021.

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

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Total Audit Fee - Code work	Note***	145,200***	105,868*
Other Objection - 2015/16	-	-	27,225
Other Objection - 2016/17	-	-	19,998
Total Audit Fees	Note***	145,200***	144,391
Non-audit work (Teacher's Pensions Certification)	TBC**	13,500	13,000
Total non-audit services	TBC**	13,500	13,000
Total fees	Note***	Note***	157,391

All fees exclude VAT

(*) The 19/20 Code work includes an additional fee of £21,200, which relates to additional work reviewing McCloud/GMP where we used EY Pensions specialists; IFRS 9 (Financial Instruments) material adjustment which required additional technical support, & extended income and expenditure testing. We have discussed the variation with officers, but are awaiting approval from PSAA.

(**) The 19/20 work on the Teacher's Pension certification has been completed. For 20/21 the planned fee represents the base fee, i.e. not including any extended testing.

(***) The scale fee for 20/21 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work on pages 7-15. In our planning report, we included an estimate of the fee of £145,200 to reflect those underlying costs. We have also incurred additional costs in addressing the increased risks associated with C 19, including asset valuations and the impact on the going concern assessment. We will discuss and agree a fee with management and PSAA, and communicate progress to the Audit & Governance Committee.

Other communications

EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)



10 Appendices



Appendix A

Audit approach update

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

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

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded




Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Appendix A

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

Appendix B

Summary of communications





Date 	Nature 	Summary 
13 January 2021	Meeting	The partner in charge of the engagement and other senior members of the audit team, met with the Audit & Governance Committee to understand the latest issues impacting Oxfordshire County Council.
2 March 2021	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss any issues carried forward from the 2019/20 audit and to understand the latest business operating environment.
Mar-April 2021	Meeting	The audit team continued to liaise with the core finance team to conclude on a number of outstanding and ongoing areas of the audit.
26 May 2021	Report	The draft audit plan, including confirmation of independence, was issued to the Audit & Governance Committee.
2 June 2021	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, delivered a presentation to the Audit & Governance Committee on the role of external audit and also on the role of an effective Audit Committee. This was designed to support new members on the Audit & Governance Committee.
2 June 2021	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit & Governance Committee and senior members of the management team to discuss the draft audit plan for 2020/21.
Jun-July 2021	Meeting	The audit team continued to liaise with the core finance team to conclude on a number of outstanding and ongoing areas of the audit. Meetings were held twice per week to facilitate quicker resolution of issues.
12 July 2021	Report	The draft audit results report, including confirmation of independence, was issued to the Audit & Governance Committee.
21 July 2021	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the Audit & Governance Committee and senior members of the management team to discuss the draft audit results report.

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





Appendix C

Required communications with the Audit & Governance Committee





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

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Draft Audit planning report presented at the 2 June Audit & Governance Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Draft Audit planning report presented at the 2 June Audit & Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Draft Audit planning report presented at the 2 June Audit & Governance Committee

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Page 68	<ul style="list-style-type: none"> ▶ About the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate (in accordance with Code provision 31), and their statements: <ul style="list-style-type: none"> i. In the financial statements, as to whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, including any related disclosures identifying any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements (in accordance with Code provision 30); and ii. In the annual report as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions (in accordance with Code provision 31); ▶ Any other matters identified in the course of the audit that we believe will be relevant to the board or the Audit & Governance Committee in the context of fulfilling their responsibilities referred to above. 	
	<p>Public Interest Entities</p> <p>For the audits of financial statements of public interest entities our written communications to the Audit & Governance Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management 	<p>Draft Audit planning report presented at the 2 June Audit & Governance Committee and</p> <p>Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee</p>





Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Page 69	<ul style="list-style-type: none"> ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit & Governance Committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	
	Going concern <ul style="list-style-type: none"> ▶ Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee
	Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee
	Subsequent events <ul style="list-style-type: none"> ▶ Enquiry of the Audit & Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit & Governance Committee responsibility. 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Draft Audit planning report presented at the 2 June Audit & Governance Committee and</p> <p>Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee</p>

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Page 71	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit & Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence 	
	<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee
	<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit & Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance Committee may be aware of 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee




Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Draft Audit results report presented at the 21 July 2021 Audit & Governance Committee

Appendix D

Outstanding matters

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

Item 	Actions to resolve 	Responsibility 
Final Accounts	Review of the Final Accounts and associated support for disclosures Incorporation of EY review comments on disclosure notes	EY and management
Going concern review and disclosures	EY central review process and finalisation of disclosures and opinion wording	EY and management
Management representation letter	Receipt of signed management representation letter	Management and Audit & Governance Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Key audit areas as set out in the body of this report	Final receipt of information needed for us to complete the areas set out in the body of this report, in particular, delays in the PPE work to be addressed. Following this, we will also need to complete our review at manager, Engagement Partner and Quality Reviewer level.	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that some key disclosures remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) will be provided in our final audit results report and presented to the September Committee.

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
FAO: Maria Grindley
 EY
 Apex Plaza
 Reading
 RG1 1YE

This letter of representations is provided in connection with your audit of the council financial statements of Oxfordshire County Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council financial statements give a true and fair view of the Council financial position of Oxfordshire County Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2020 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the council financial statements. We believe the Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the council financial statements taken as a whole. We have not corrected these differences identified and brought to our attention by the auditor because *[specify reasons for not correcting misstatement]*.

Management representation letter

Management Rep Letter (cont.)

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

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

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the 02 June 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Management representation letter

Management Rep Letter (cont.)

D. Liabilities and Contingencies

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

E. Subsequent Events

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

F. Other information

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

H. Going Concern

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

I. Ownership of Assets

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

J. Reserves

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

K. Use of the Work of a Specialist

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

L. Asset Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.
2. We confirm that the significant assumptions used in making the asset valuation estimates appropriately reflect our intent and ability to carry out planned uses of assets valued.

Management representation letter

Management Rep Letter (cont.)

3. We confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events, including due to the COVID-19 pandemic.

M. Retirement benefits

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

Yours faithfully,

Lorna Baxter - Director of Finance

Councillor Roz Smith - Chair of the Audit & Governance Committee

Progress report on implementation of IFRS 16 Leases

In previous reports to the Audit & Governance Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the Council until 1 April 2022. However, officers should be acting now to assess the Council's leasing positions and secure the required information to ensure the Council will be fully compliance with the 2022/23 Code. The following table summarises the actions necessary to implement the adoption of IFRS 16 from 1 April 2022:

IFRS 16 theme	Summary of key measures
Data collection	<p>Management should have:</p> <ul style="list-style-type: none"> ▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▶ Classified all such leases into low value; short-term; peppercorn; portfolio and individual leases ▶ Identified, collected, logged and checked all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	<p>The council need to agree on certain policy choices. In particular:</p> <ul style="list-style-type: none"> ▶ Will [the council adopt a portfolio approach? ▶ Has the low value threshold been set and agreed with auditors? ▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components? ▶ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the Council is lessee; and potentially for sub-leases, where the Council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

About EY

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ED None

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AUDIT and GOVERNANCE COMMITTEE – 21 JULY 2021

Internal Audit Charter

Report by the Director of Finance

RECOMMENDATION

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

Executive Summary

2. This report presents both the Internal Audit Charter and the Quality Assurance and Improvement Programme for 2021/22. These are subject to annual review.

Internal Audit Charter

3. The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These are the first Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority. The Oxfordshire County Council Internal Audit Charter is included within Appendix 1.
4. The Charter sets out the purpose, authority and responsibility of Oxfordshire County Council's Internal Audit function, in accordance with the PSIAS. The Charter establishes the position of Internal Audit within the organisation, access and reporting requirements. It also outlines the key responsibilities of the Audit & Governance Committee.
5. This Internal Audit Charter is subject to approval by the Audit & Governance Committee of Oxfordshire County Council on an annual basis, in line with PSIAS requirements. There have been no material changes made since the Charter was last approved by the Committee in July 2020. Minor changes have been made under the "fraud" section to reflect the dedicated counter fraud team that has now been established within Internal Audit.

Quality Assurance Improvement Programme (QAIP)

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

PSIAS – Self Assessment / External Assessment Update

8. Internal Audit received a CIPFA external assessment against the Public Sector Internal Audit Standards (PSIAS) during November 2017. This was reported to the Committee in January 2018. The assessment outcome was very positive with only a small number of minor improvements to documentation required and an overall conclusion that the service is highly regarded within the Council.
9. There is a requirement for an annual self-assessment against PSIAS to be completed (with external assessment scheduled every 5 years). The self-assessment was completed during June 2021 and it can be confirmed that Internal Audit continues to comply in full, with the standards.

LORNA BAXTER

Director of Finance

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

Oxfordshire County Council Internal Audit Charter

Introduction

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

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

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

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

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

Definition of Internal Audit

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

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

Mission of Internal Audit

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

Core Principles

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

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

Code of Ethics

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

Integrity

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

Objectivity

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

Confidentiality

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

Competency

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

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

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

Statutory Requirement

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

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

- a. make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
- b. supply the body with such information and explanation as that body considers necessary for that purpose.

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

Definition of the Chief Audit Executive (CAE)

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

Definition of the Board

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

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

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

Definition of Senior Management

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

- Input to the risk based Internal Audit plan
- Receive periodic reports from the Chief Internal Auditor on internal audit activity, that includes follow up reports
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor

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

Professionalism

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

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

Authority

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

Organisation

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

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

Independence and objectivity

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

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

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

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being

examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal auditors will disclose any impairment of independence or objectivity, in fact or appearance, to the appropriate parties.

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

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

Responsibility- Scope & Objectives

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

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

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

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

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

Internal audit plan

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

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

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

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

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

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

Reporting and monitoring

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

The draft report will be discussed with the auditees and management actions agreed for the weaknesses identified, along with timescales for implementation. The final

report will be issued to the relevant Director, Director of Finance and other officers in line with directorate protocols.

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

Arrangements for appropriate resourcing

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

In the event that the risk assessment, carried out to prepare the annual plan, identifies a need for more audit work than there are resources available, the Chief Internal Auditor will identify the shortfall and advise the Director of Finance followed by the Audit & Governance Committee as required to assess the associated risks or to recommend additional resources are identified.

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

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

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

Fraud and Corruption

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

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

Internal Audit – Counter Fraud Team within Oxfordshire County Council is responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and

that action is identified to improve controls and reduce the risk of recurrence. Internal Audit - Counter Fraud Team maintains the fraud log for Oxfordshire County Council. Internal Audit – Counter Fraud Team undertakes investigations into potential financial irregularities. In some circumstances this may be delegated to the service itself following an assessment of risk and financial impact.

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

Definition of Assurance Services

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

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

Definition of Consulting Services

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

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

Quality assurance and improvement programme

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

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

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

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

Signed by:

Sarah Cox, Chief Internal Auditor
Lorna Baxter, Director of Finance
Councilor Roz Smith, Chair of the Audit & Governance Committee
Date approved: 21 July 2021 (Audit & Governance Committee)
Date of next review: July 2022

Oxfordshire County Council Internal Audit - Quality Assurance and Improvement Programme

Introduction

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

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

Internal Assessments

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

Ongoing Reviews

Ongoing assessments are conducted through:

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

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

Periodic Reviews

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

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

External Assessment

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

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

Reporting

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

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

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

Signed by:

Sarah Cox, Chief Internal Auditor

Lorna Baxter, Director of Finance

Date approved: July 2021

Date of next review: July 2022

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AUDIT and GOVERNANCE COMMITTEE – 21 July 2021 Counter Fraud Plan for 2021/22

Report by the Director of Finance

RECOMMENDATION

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

Executive Summary

2. This report presents the Counter Fraud Plan for 2021/22 and a summary of activity from 2020/21. The plan supports the Council's Anti-Fraud and Corruption Strategy (updated and included in Appendix 2) by ensuring that the Council has in place proportionate and effective resources and controls to prevent and detect fraud as well as investigate those matters that do arise.
3. Appendix 1 contains the full 2020/21 Plan agreed a year ago and an update on activity.
4. Appendix 2 contains the new set of performance indicators that will be reported to the Audit & Governance Committee going forwards (in November and March)
5. Appendix 3 contains the updated Counter-Fraud Strategy which is public on the Council's Intranet and website.

Background

6. The latest Local Government Counter Fraud and Corruption Strategy – Fighting Fraud and Corruption Locally was launched in 2020. The Council's Counter-Fraud arrangements are designed to adhere to the "6 C's" Themes contained within this national Strategy, which are:
 - **Culture** – creating a culture where fraud and corruption are unacceptable
 - **Capability** - assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate
 - **Capacity** - deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance

- **Competence** - having the right skills and standards commensurate with the full range of counter fraud and corruption activity
- **Communication** - raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes
- **Collaboration** - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

The Council has a Counter-Fraud Strategy (see Appendix 3) which guides the Council's approach to its fraud response. The Strategy states that "the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to a **zero-tolerance** approach to fraud, corruption and theft."

The Counter-Fraud team's purpose is therefore to adhere and to promote the zero-tolerance approach to fraud by thoroughly investigating any instances of fraud; applying the appropriate sanctions; undertaking proactive and preventive work to prevent and detect fraud through training, awareness raising, data matching and proactive reviews.

The Strategy has just been updated as part of its twice-yearly review and is attached in Appendix 3 for the Committee to note. Whilst there haven't been any material changes to the tone and content of the Strategy; there have been changes to the fraud referral and investigation process contained in Appendix A of the Strategy, to reflect the new practices undertaken with having the new in-house fraud team in place.

Summary of Counter Fraud Activity from 2020/21

7. An update against the 2020/21 Counter Fraud Plan is included in Appendix 1 – the highlights include:
 - Recruitment and induction of the full Counter-Fraud Team (2 Counter Fraud Officers and 1 Intelligence & Data Officer) was completed and we now provide the service across both OCC (Oxfordshire County Council) and CDC (Cherwell District Council) (from 1st April).
 - The new team has been building a number of new networks within OCC and CDC as well as externally. In particular to note is a new working arrangement with TVP (Thames Valley Police) to refer fraud cases directly into the TVP fraud team to action and allocate to an officer in charge.
 - One of the new Counter Fraud Officers is an Accredited Financial Investigator which brings a skill set and powers that are of great benefit to the team. Both Counter Fraud Officers can undertake Interviews Under Caution. This means that the Counter Fraud team can now undertake a larger part of investigations, presenting less of a resource issue for TVP and greater opportunities for joint working, improving upon timeliness and outcomes of investigations.
 - The Intelligence & Data Officer post in the team is proving extremely beneficial as they are a resource dedicated to undertaking intelligence checks for investigations and working through the NFI matches. They are shortly going to start the apprenticeship in Intelligence Analysis.
 - A new performance framework has been drafted. Appendix 2 provides the suggested set of performance information to be submitted to the Audit & Governance Committee twice a year to update on progress against the annual plan and the operational performance.
 - In total during 2020/21, 28 fraud cases were opened and investigated of which 13 are still open under investigation. Of the 15 that were investigated and closed:
 - 6 were Direct payments (DPs) (3 moved to managed account; 1 not fraud but DP ceased; 1 a repayment of £6.4k of unaccounted for funds was returned; 1 removed PA and care provider appointed instead)
 - 1 Blue Badge misuse (warning letter issued)
 - 5 whistleblowing (3 unsubstantiated and 2 partially, with actions taken) – these will be reported under the Whistleblowing report in September.
 - 1 Adult Social Care (unsubstantiated)
 - 2 Children's Social Care (1 investigation report issued and £5k loss written off; 1 investigated by service and provider no longer used)

Counter Fraud Plan 2021/22

8. With the new team in place and inducted into the Council and the Counter-Fraud service, the focus for the coming year will be to refine the processes we have been establishing for referrals and investigations to ensure efficiency and operational effectiveness until business as usual is fully established.
9. The team will then be in a position to move increasingly into the proactive anti-fraud work such as delivering more fraud awareness training and fraud detection exercises.
10. To inform this work, the fraud risk assessment process (which has started but hasn't been fully developed) will be built within the team, with the objective being a Fraud Risk Register is in place and updated routinely to inform proactive work areas.
11. In order to provide the strategic capacity to achieve the above the Audit Manager and Counter-Fraud Lead will be working solely on Counter-Fraud until the autumn.
12. Two areas already identified as requiring focused fraud awareness training are Direct Payments and Schools. Direct Payments fraud training has already been delivered for a number of years as part of the DP induction training – however with the recent changes in DP arrangements and the fraud risk profile of DP's adapting to various changes; now is a good time to review and refresh the fraud DP training. Furthermore, a new arrangement is being put in place with the DP lead to meet regularly to discuss DP fraud cases and implement appropriate corrective controls in real-time as and when fraud investigations are ongoing.
13. Schools fraud awareness training has been identified as an area to focus on following several recent school fraud referrals, in particular relating to the use of purchasing cards.
14. Regarding proactive reviews, there are several options, which will be explored and confirmed following the fraud risk assessment exercise.
15. Fraud communications will be issued where appropriate – working with the Communications Teams to ensure that appropriate channels are used for all fraud-related news.
16. Blue Badge enforcement work has been on hold during the pandemic, however during 2021/22 the team plan to re-commence on-street enforcement exercises, albeit under a slightly different format. A proposed methodology is being drafted.
17. The work into investigating the NFI data matches from the 2020 upload will continue. The team have been in discussion with other Local Authorities to discuss pooling resources to investigate greater use of data matching capabilities for Councils. Later this year or going into 2022/23 this will be developed further.

Objective	Actions
<p>Strategic: Establish BAU referral and investigation processes; agree and start using the Performance framework; move into building proactive anti-fraud work</p> <p>Culture Capacity Competence</p>	<ol style="list-style-type: none"> 1. Document key processes and flow charts for the CF Team (Q2) 2. Sign-off the proposed Performance Framework to monitor the team's performance, case levels and outcomes. (Q2) 3. Monitor team performance and outcomes (Ongoing)
<p>Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council.</p> <p>Culture Capability Capacity Communication Collaboration</p>	<ol style="list-style-type: none"> 1. Complete and routinely update the Fraud Risk Register (Q2) 2. Deliver fraud awareness training (DP's and Schools – plus others as identified from fraud risk assessment) (ongoing and by Q4) 3. Undertake joint fraud/audit exercises (ongoing and by Q4) 4. Deliver fraud communications in line with a comms strategy under development (internal and external) 5. Blue Badge enforcement exercise (ongoing and by Q4) 6. Maintain fraud procedures, webpages and referral routes up to date (ongoing and by Q4)
<p>Reactive: Manage fraud referrals and investigations</p> <p>Capacity Competence Collaboration</p>	<ol style="list-style-type: none"> 1. Manage fraud referrals 2. Investigate 3. Implement appropriate sanctions 4. Make recommendations to improve the control environment 5. Work with partner agencies and teams.
<p>Data: Use data to detect and prevent fraud</p> <p>Competence Collaboration</p>	<ol style="list-style-type: none"> 1. Complete the 2020 NFI data matching (ongoing and by Q4) 2. Continue to participate into potential data matching exercise with other LA's.

LORNA BAXTER

Director of Finance

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

Appendix 1 – Counter Fraud Plan from 2020/21

Objective	Actions	Update – Nov 2020	Update – Feb 2021	Update – June 2021
Strategic: Implement agreed Proposal for Counter Fraud arrangements Capability Capacity Competence	1. Explore joint working opportunities between OCC-CDC 2. Produce and agree Proposal for joint working 3. Implement the agreed structure and working arrangements, including processes and performance monitoring	New model of joint working approved by CEDR Sept 2020. To be fully operational by new financial year. This has included the approval of 3 dedicated Counter-Fraud posts – 2 Counter-Fraud Officers and one Intel & Data Officer. Work now in progress to develop operational processes and define performance monitoring system.	All 3 Counter Fraud posts recruited to (2 Counter Fraud Officers in post and Intelligence & Data Officer offer accepted). Handover process of CDC counter fraud progress to start from 1 st April 2021. Work on governance framework ongoing.	Counter-Fraud Team fully staffed and inductions complete Took on CDC Fraud Service from 1 st April. Open cases handed over. Now processing all new referrals for CDC. Performance Framework in place developed and currently under sign-off. Conclusion: Complete
Proactive: Undertake proactive counter-fraud activities to reduce the risk of fraud in the Council. Culture Capability Communication	7. Establish and routinely update a Fraud Risk Assessment 8. Deliver fraud awareness training 9. Undertake joint fraud/audit exercises	Fraud Risk Assessment for OCC commenced which will inform fraud awareness training and joint exercises.	Fraud comms for Fraud Awareness Week in Nov 2020 disseminated. Vaccine fraud comms disseminated Jan 2021. Joint audit/fraud work being undertaken on a sample of Covid-19 related payments and expenditure – covering the accuracy and integrity	Fraud Risk Register in Draft & ongoing update process under establishment. 2021/22 Plan includes Fraud awareness training and joint exercises Conclusion: Partially complete, with proactive work ongoing

Collaboration	10. Participate in Council initiatives to reduce fraud exposure 11. Fraud comms		of spend and considering inherent fraud risks nationally associated with Covid-related payments, support and relief. – will be completed and reported upon - April 2021.	
Reactive: Manage fraud referrals and investigations Competence Collaboration	6. Manage fraud referrals 7. Investigate 8. Implement appropriate sanctions 9. Work with partner agencies and teams.	Currently 32 open cases for OCC, all under investigation.	Currently 29 open cases for OCC, all under investigation. Since our last report in Nov 2020, there have been 5 new cases.	Currently 34 open cases for OCC Conclusion: Complete
Data: Use data to detect and prevent fraud Capability Competence	3. Undertake the 2020 NFI data upload 4. Close down the remaining data match investigations from previous NFI 5. Embed data analytics into the new Proposal and model	2020 NFI upload is underway, to be completed in November.	NFI 2020/21 matches are being released and issued to the relevant staff to review. 3-month timescale requested for initial review. High risk flags are being prioritised for review.	NFI 2020/21 matches are under review. A more detailed report will be provided in the November meeting. Conclusion: Ongoing

Appendix 2 – PI Framework

The bi-annual updates (in November and March) to the Audit & Governance Committee will include a Service & Resource update, an update against the annual Counter Fraud Plan and the following performance indicators.

As part of the Internal Audit paper a narrative update will be provided to the Audit Working Group also, where cases can be discussed in more detail and Officers called in where necessary – these are in September, December and March/April).

CF Objective:	How	Measure
To log, investigate and close down fraud referrals and cases on a timely basis	Add new cases in OPUS (the fraud case management system) – complete investigation – close down.	No. new cases YTD and previous f/y No. open cases total (broken down by FY)
To recover costs and funds where possible; to prevent future losses; to apply relevant sanction	Sanctions will be pursued where fraud or overpayment is proven; repayments requested; fines applied Investigation costs will be allocated for cases going to Court. Hours spent per case (for cases likely to go to prosecution) will be recorded on OPUS Loss, recovery and prevented loss values will be recorded in OPUS	Figures on the financial loss; recovery; prevented loss figures per case for last 6 months. Outcomes: No. prosecutions; dismissals; warning letters issued etc for last 6 months. Cases to note

CF Objective:	How	Measure
To identify control weaknesses / exposures and lessons learnt for the Service to address	<p>Investigation Reports (includes control weaknesses, lessons learnt and recommendations)</p> <p>Actions for CF to take forward eg fraud training, will be covered under the Fraud RR.</p>	<p>No. Investigation Reports issued in 6-month period</p> <p>Narrative: added value examples for last 6 months</p>
To undertake proactive and preventive fraud work	<p>Fraud Training</p> <p>Fraud Comms</p> <p>Data matching</p> <p>NFI</p> <p>Fraud Risk Assessments</p> <p>Proactive Reviews</p> <p>National fraud developments</p> <p>Participating in fraud networks and training</p>	<p>Figures and narrative on:</p> <p>Fraud trainings delivered</p> <p>Fraud comms issued</p> <p>Proactive reviews</p> <p>Update on data matching/NFI work</p> <p>Update on the Fraud Risk Register, with any new or emerging fraud risks nationally or locally. And any narrative on participation in fraud networks, meetings, trainings, or any other partnership working initiatives.</p>

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ANTI-FRAUD AND CORRUPTION STRATEGY



1. INTRODUCTION

- 1.1 The Council is responsible for hundreds of millions of pounds worth of taxpayer's money (2021/22 expenditure is £890,000,000) ensuring it is spent in a way that best serves the people of Oxfordshire. In administering its responsibilities, the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to a **zero-tolerance** approach to fraud, corruption and theft.
- 1.2 The Director of Finance as the "Section 151 Officer" has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council's financial affairs and has developed financial codes of practice and accounting instructions. The Director of Finance exercises a quality control on financial administration through delegation of responsibilities to the Assistant Director of Finance, Head of Corporate Finance and the Finance Business Partners.
- 1.3 The Director of Law & Governance (Monitoring Officer) has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council's actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council's policies and procedures to demonstrate that the Council is acting in an open, transparent and lawful manner.
- 1.4 Oxfordshire County Council will thoroughly investigate all allegations of fraud, corruption or theft, both from within the Council and from external sources, which it recognises can:
- Undermine the standards of public service that the Council is attempting to achieve.
 - Reduce the level of resources and services available for the residents of Oxfordshire.
 - Result in consequences which reduce public confidence in the Council.
- 1.5 Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress will be pursued against anyone perpetrating, or seeking to perpetrate fraud, corruption or theft against the Council.
- 1.6 The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all staff, Councillors and partners to observe these standards which are defined within the Code of Conduct, underpinned by its values and help achieve the Council's vision of thriving communities for everyone in Oxfordshire.

2. DEFINITIONS

- 2.1 **FRAUD:** Is defined by The Fraud Act 2006 as follows:

A person is guilty of fraud if s/he is in breach of any of the following:

Fraud by false representation; that is if a person:

- (a) dishonestly makes a false representation, and
- (b) intends, by making the representation:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- (b) intends, by failing to disclose the information:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:

- (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
- (b) dishonestly abuses that position, and
- (c) intends, by means of the abuse of that position:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

The term “fraud” is usually used to describe depriving someone of something by deceit, to make a financial, material or other gain to themselves or loss to another. It has to have been intentional in order to qualify as being fraudulent.

- 2.2 **CORRUPTION:** Is the deliberate use of one’s position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.
- 2.3 **THEFT:** Is the physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.
- 2.4 **MONEY LAUNDERING:** Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council’s Money Laundering Policy.
- 2.5 Any Service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice

must be sought. The Council's Money Laundering Reporting Officer (MLRO) is the Director of Finance.

2.6 **BRIBERY:** Prior to the Bribery Act 2010, bribery had been viewed within the definition of corruption. The Bribery Act 2010 introduces four main offences, simplified as the following:

- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
- Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.
- Failure of commercial organisations to prevent bribery: organisations, which include the County Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

2.7 For more information on exactly what constitutes bribery and the Council's policy towards it, please refer to the [Bribery Act Policy](#).

2.8 Prior to entering into any business arrangements, all Council officers and/or business units should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption. For further information contact internalaudit@oxfordshire.gov.uk

3. SCOPE

3.1 This document applies to:

- All County Council Employees (including Agents and Agency Staff) and Councillors
- Staff and Committee Members of Council funded voluntary organisations
- Partner organisations
- Schools
- Council Suppliers, Contractors and Consultants
- General Public

4. AIMS AND OBJECTIVES

4.1 The aims and objectives of the Anti-Fraud and Corruption Strategy are to:

- Ensure that the Council is protected against fraud and loss.
- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Oxfordshire residents and visitors.

- Create an “anti-fraud” culture which highlights the Council’s zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone (the public, Councillors, staff, managers and policy makers).
- To provide a best practice “counter-fraud” service which:
 - Proactively deters, prevents and detects fraud, corruption and theft in the Council.
 - Investigates suspected or detected fraud, corruption and theft.
 - Enables the Council to apply appropriate sanctions and recovery of losses.
 - Provides recommendations to inform policy, system and control improvements, thereby reducing the Council’s exposure to fraudulent activity.

5. PRINCIPLES

- 5.1 The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this strategy. The Council will ensure that the resources dedicated to “counter-fraud” activity are sufficient and all those involved are trained to deliver a professional “counter-fraud” service to the highest standards.
- 5.2 All fraudulent activity is unacceptable and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing. The Council will ensure consistency, fairness and objectivity in all its “counter-fraud” work and that everyone is treated equally.
- 5.3 This strategy encourages those detailed in section 3.1 to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Sections 8.3 and 8.4 detail the reporting arrangements in relation to incidents of fraud or irregularity.
- 5.4 The Council will work with its partners (such as the Police, City/District Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

6. RESPONSIBILITIES

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Chief Executive Officer	Ultimately accountable for the effectiveness of the Council’s arrangements for countering fraud and corruption.
Director of Finance (Section 151 Officer)	To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Internal Audit service to deliver “counter-fraud” work.

Director of Law & Governance (Monitoring Officer)	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.
Audit & Governance Committee and its Audit Working Group	To monitor the Council's strategies and policies and consider the effectiveness of the arrangements for Raising Concerns at Work, Whistle-blowing Procedures, Anti-Fraud and Corruption and the Complaints Process.
Councillors	To comply with the Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the County Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
Internal Audit and Counter Fraud	Responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.
Strategic Directors, Directors, Deputy / Assistant Directors, Heads of Service and Service Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Internal Audit or via the Raising Concerns at Work policy and Whistleblowing Procedures.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

7. APPROACH TO COUNTERING FRAUD

- 7.1 Oxfordshire County Council will fulfil its responsibility to reduce fraud and protect its resources by completing work in each of the following key areas:
- 7.2 **PREVENT AND DETECT:** The Council will promote and develop a strong “anti-fraud” culture, raise awareness and provide information on its counter-fraud work. This includes dedicated fraud web pages, a fraud e-learning tool for all staff, delivering fraud training to Officers, undertaking proactive fraud detection work and investigations.

Internal Audit and Counter-Fraud will work with managers and policy makers to ensure new and existing systems, procedures and policy initiatives consider any fraud risks and anti-fraud controls are built in. Audit activity will also consider fraud risks as part of each review.

Fraud trends will be monitored and a Fraud Risk Register maintained and routinely updated to identify areas of new or existing fraud exposure – preventive and detective measures can then be taken.

The Council also relies on employees, Councillors and the public to be alert and to report suspicion of fraud and corruption. Managers should pay particular attention to circumstances which may require additional and sensitive monitoring or supervision. Examples of Fraud Indicators are detailed in Appendix B.

- 7.3 **INVESTIGATION:** The Council will securely record all fraud referrals and cases, which will be robustly investigated to conclusion by the Counter-Fraud team. Please see Appendix A for the Protocol for Investigating Irregularities.
- 7.6 **SANCTIONS:** The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This will include legal action in addition to criminal and disciplinary action, where appropriate.
- 7.7 **REDRESS:** A crucial element of the Council’s response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council’s strategy and will be pursued, where appropriate.
- 7.8 In addition to the above, Internal Audit also prepares an annual Counter-Fraud Work Plan that details the key objectives and areas of work for the year and when actions are due to be completed. The work plan is agreed and monitored by the Audit & Governance Committee and Section 151 Officer.

8. REPORTING, ADVICE AND SUPPORT

- 8.1 The Council’s expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Constitution, Council Policies, Financial Regulations, Financial and Contract Procedure Rules and directorate Procedures.

- 8.2 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to their line manager and if this is not appropriate then to the Head of Service or Service Manager. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with the Raising Concerns at Work, Grievances and Whistle-blowing policies.
- 8.3 The line manager, Service Manager or Deputy Director/Head of Service who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the Counter-Fraud team (fraud@oxfordshire.gov.uk) and where appropriate the following people, to determine how the potential irregularity will be investigated:
- Director of Finance (Section 151 Officer)
 - Director of Law & Governance (Monitoring Officer)
 - Relevant Director
 - Chief Internal Auditor
 - Director of HR
 - HR and Finance Business Partners
- 8.4 Where appropriate, the Director of Law & Governance (Monitoring Officer) will liaise as appropriate with the Leader, Deputy Leader and relevant portfolio holder where the irregularity is material and/or could affect the reputation of the Council. The Section 151 Officer will liaise with the Cabinet Member for Finance, as appropriate. The Media Team should also be informed if the matter is likely to be communicated externally.
- 8.5 The Investigating Officer will follow the Protocol for Investigating Irregularities (Appendix A), which includes the need to:
- Deal promptly with the matter
 - Recover and record all evidence received
 - Ensure that evidence is sound and adequately supported
 - Ensure security of all evidence collected
 - Contact other agencies if necessary e.g. Police (see appendix A - Police Involvement)
 - Notify the Council's insurers if applicable
 - Implement Council disciplinary procedures where appropriate
- 8.6 The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:
- Local Government Ombudsman
 - External Audit – Relationship Manager
 - National Fraud Initiative and related Audit Networks
 - Central Government Departments
 - HM Revenue and Customs
 - UK Border Agency

- Department for Work and Pensions
- Police

8.7 Any concerns or suspicions reported will be treated with discretion and in confidence. Key contacts include:

- Chief Internal Auditor – Tel: 07393 001 246
- Audit Manager and Counter-Fraud Lead – Tel: 07393 001 217
- Confidential e-mail: fraud@oxfordshire.gov.uk

8.8 Other Council means for raising concerns:

▪ Chief Executive Officer	Write to: Oxfordshire County Council, County Hall, New Road, Oxford, OX1 1ND
▪ Director of Finance (Section 151 Officer)	
▪ Director of Law & Governance (Monitoring Officer)	
▪ Relevant Director	
▪ Audit & Governance Committee Chairman	

8.9 External means of raising concerns:

▪ External Audit (Ernst & Young)	0118 928 1234
▪ Citizens Advice Bureau	Website: www.citizensadvice.org.uk
▪ Police	Website: www.thamesvalley.police.uk
▪ Your Local Councillor	Website: www.oxfordshire.gov.uk Click on: About your Council > Councillors.

8.10 Attached are the following Appendices:

- Appendix A: The Protocol for Investigating Irregularities
- Appendix B: Examples of Fraud Indicators

9. FURTHER INFORMATION

9.1 Further information on Council policy can be found in the following documents:

- The Constitution
- Codes of Conduct (Councillors and Officers)
- Raising Concerns at Work – Grievances
- Whistle-Blowing Procedure
- Bribery Act Policy
- Gifts and Hospitality Policy
- Policy on Declaring and Registering Interests

- Financial Regulations
- Contract Procedure Rules and the Contract Procedure Rules - Exemption Procedure
- Money Laundering Policy
- Regulation of Investigatory Powers Act (RIPA)

10. STRATEGY REVIEW

- 10.1 The Audit & Governance Committee will continue to review and amend this strategy as necessary to ensure that it continues to remain compliant and meets the requirements of the Council.

Responsible Officer: Chief Internal Auditor

Date: July 2021

Review Date: July 2023

APPENDIX A

PROTOCOL FOR INVESTIGATING IRREGULARITIES

a) Fraud Referral and Investigation

Employees, Councillors and other groups are encouraged to report suspected fraud and irregularities in accordance with section 5.3 of the Strategy and the Council's Raising Concerns at Work, Grievances and Whistle-blowing policy.

When a referral or allegation is raised, the Deputy Director/Head of Service or Service Manager will report the incident to the Counter-Fraud team (fraud@oxfordshire.gov.uk) and key contacts detailed in section 8.3 above, as appropriate.

The referral will then be assessed by the Counter-Fraud Team and if after a risk assessment it is determined that it meets the threshold for referral, a case will be opened on the Council's Fraud case management system.

Where necessary a strategy meeting will be called to discuss the matter between the relevant parties (eg. the Service, HR, Legal, Counter-Fraud). The decisions and actions from this meeting will be documented and circulated to attendees.

For very large, sensitive or complex investigations, an independent Investigation Manager (internal or external) may be identified to lead on the investigation. In these cases, the case will be steered and monitored by the relevant Director(s). Specialist professional advice should be sought from HR, Legal and Counter-Fraud. The Investigation Manager will have access to management and records as appropriate to conduct the investigation.

For smaller or more routine fraud investigations, these will be undertaken by the Counter-Fraud team, who will liaise with others as necessary to complete the investigation.

Where issues are of an HR nature – these will be investigated by HR. Where they are of a fraudulent nature – these will be investigated by the Counter-Fraud Team. In some cases, the Service is best placed to investigate the matter. The responsibility for investigation will be clarified between the various parties. In all cases that are logged on the Counter-Fraud case management system, these will be monitored for progress by the Counter-Fraud team.

b) Evidence and Interviews

All evidence gathered will be regarded as strictly confidential and will be the property of the investigation team. It will only be made more widely available on agreement with the necessary officers. The team will be responsible for gathering all evidence, whether it is verbal, written or electronic, which may include the need to interview employees or others.

If it is necessary to interview employees, the Deputy Director/Head of Service or Service Manager should be informed. HR should also be contacted to ensure the interview is arranged, conducted and managed correctly to ensure the employee is supported and the investigation is not compromised. Interviews with employees must be conducted in

accordance with the relevant Council standards and procedures, with allowances for proper representation.

When obtaining written evidence, the source copy of any documentation should be obtained. Electronic evidence will be stored on the Counter-Fraud and the case management system. Hard evidence will be stored in the appropriate evidence store.

Some investigations may require either covert surveillance or a covert operation to obtain information. If this is required, formal authorisation will need to be obtained under the Regulation of Investigatory Powers Act 2000 (RIPA). Authorising any action under RIPA regulation needs to be obtained from the Director of Law and Governance (Monitoring Officer).

The conduct of interviews and gathering of evidence which may subsequently be used as criminal evidence is governed by specific rules and Acts. In this respect, the following statutes are relevant:

- Police and Criminal Evidence Act 1984 (PACE).
- Regulation of Investigatory Powers Act 2000 (RIPA).
- Human Rights Act 1998.
- Data Protection Act 1998 and GDPR
- Proceeds of Crime Act 2002 (POCA)

The investigation team should ensure that a fully referenced investigation file is maintained, which includes all documentation, records and notes collated during the investigation. These must also adhere to Disclosure requirements.

c) Disciplinary and Criminal Proceedings

Deputy Directors/Heads of Service and Service Managers will be expected to take action in accordance with the Council's Disciplinary and Capability Procedures, where the outcome of the investigation indicates improper behaviour. School Governors are also required to take similar action where the outcome of the investigation indicates improper behaviour. This must be undertaken upon advice and support from HR.

If an investigation requires that an employee is suspended, this must be done in accordance with the Disciplinary Procedure upon completion of a suspension risk assessment. The procedure states that the suspension period should be as short as is reasonably practical. Senior employees should record in writing a decision to suspend and any subsequent review of that decision, setting out the reasons for the decision and whether alternative options have been considered.

The Deputy Director/Head of Service or Service Manager should ensure, normally through the investigation team, that the relevant written reports are available timely, for disciplinary and criminal proceedings. Necessary members of the investigation team may be required to give written evidence and attend at hearings to give verbal evidence and answer questions.

Where there is a possibility of criminal proceedings, the disciplinary process should ensure that any relevant evidence is gathered and reported in such a way that it could be

admissible in court. It should also ensure that it doesn't compromise a potential criminal proceeding, such as for fraud. In these cases therefore, careful collaboration between the Service, HR and Counter-Fraud should be ensured and clarity on roles and outcomes documented. Normally, any internal disciplinary process can take place at the same time as the fraud investigation. However, this should be agreed in advance by all parties to ensure both investigations are not compromised.

d) Police Involvement

Reporting incidents to the Police must be considered on an individual basis. If criminal activity is suspected, the matter should be promptly reported to the Police once sufficient evidence has been gathered. Approval to report the matter to the Police must be obtained from the Director of Finance, Service Director and Director of Law & Governance.

The Counter-Fraud team in most cases are best placed to report the case to the Police as they have an agreed reporting route for fraud and economic crime cases to TVP. In these cases, the Counter-Fraud team would then maintain ongoing contact with the TVP Officer in Charge in order to progress the investigation and report back to the relevant Service managers or Directors, as appropriate.

e) Post Investigation

For the larger or more impactful investigations, once the investigation work has been concluded, the team will need to prepare a written report detailing the initial referral or allegation, the work completed (including documents obtained and interviews conducted) and an opinion or conclusion on the outcome of the investigation.

The report should also detail any breakdown in management, operational or financial controls to the Deputy Director/Head of Service or Service Manager, who will have to agree the necessary actions to address the issues.

The report should be circulated to the Director of Finance, Director of Law & Governance, Service Director, Chief Internal Auditor and Director of HR (as appropriate). Other officers should be notified on a strictly confidential, need to know basis.

The Council wishes to see that following an investigation, action is taken to minimise future occurrence. This may involve improvements in control, changes to systems and procedures or employee training.

Any publicity arising from an investigation will be co-ordinated by the Council's Media Team.

f) Training

The Council acknowledges that the continuing success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees and Councillors throughout the organisation. To facilitate this, the Council has introduced a Fraud Awareness e-learning package that

has been rolled out across the organisation and is encouraged to be included as part of officer induction arrangements. The subject is also included as part of Councillor training.

The Counter Fraud team also delivers anti-fraud awareness sessions as required, or as a result of their investigations and audits.

APPENDIX B

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. The following are types of risk factors that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long-hours, job dissatisfaction/unhappy employee, secretiveness or undue defensiveness.
- **Financial irregularities:** Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.
- **Bad procurement practice:** Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.
- **Disorganisation:** Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.
- **Inadequate supervision:** Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.
- **Lax corporate culture:** Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.
- **Poor work practices:** Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is photocopies or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practices.

AUDIT & GOVERNANCE COMMITTEE – 21 July 2021

REPORT OF THE AUDIT WORKING GROUP – 23 June 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 23 June 2021. The group received an update on corporate risk management arrangements and also on the directorate risk management arrangements within CODR (Customers, Organisational Development and Resources). Officers attended to provide updates on the implementation of the agreed actions plan from the previous audit of Adult Direct Payments.

Introduction

Attendance:

Full Meeting: Chairman Dr Geoff Jones Councillors: Roz Smith, Brad Baines, Donna Ford, Judy Roberts.

Sarah Cox, Chief Internal Auditor, Lucy Tyrrell, Committee Officer, Katherine Kitashima, Audit Manager, Anita Bradley, Director of Law & Governance, Ian Dyson, Assistant Director of Finance, Louise Tustian, Head of Insight and Corporate Programmes.

Part Meeting:

Claire Taylor, Corporate Director CODR, Mark Haynes, Director Customers and Culture, Alastair Read, Head of IT, Tracey Harwood-Jones, Policy, Governance and Business Continuity, Belinda Dimmock-Smith, Service Manager, Karen Fuller, Deputy Director Adults, Tessa Clayton, Audit Manager, Kathleen Gibbons, Senior Auditor.

Matters to Report:

AWG 21.16 Corporate Risk Register Arrangements (incl Leadership Team Risk Register)

3. The group received an update on OCC's risk management work, including the revised Risk and Opportunities Management Strategy. The group noted that

the risk development plan has been updated and is linked to the action plan agreed from the recent internal audit of risk management. The group noted the further work underway, for example delivery of risk management training, to further embed effective risk management across the organisation.

4. The group received a presentation and an accompanying explanatory note, explaining the risk report templates and scoring matrix. The group reviewed the Leadership Risk Register, which contains the Council's most significant risks, which are closely managed and reported on each month at CEDR (Chief Executive Direct Reports) as part of the Council's Business Management and Monitoring Reports. The group discussed some of the individual risks.

AWG 21.17 Directorate Risk Management Arrangements - CODR

5. The group received an update on the risk management arrangements within CODR. The group noted the different services within the directorate and different types of risks that are being managed. It was acknowledged that the directorate has been newly formed, with risk management arrangements being further enhanced and developed. It was reported to the group that risk registers are in place for all key service areas within CODR.
6. The group requested officers review the current method in which risk management is considered by the AWG, and how the Committee can be assured on the adequacy and effectiveness of the risk management process that is applied across the Council's services and operations. A proposal is to be prepared, by officers, for consideration at the next meeting.

AWG 21.18 Direct Payments

7. The group received a further update on the progress in addressing the weaknesses identified during the audit of Adult Direct Payments completed during 2019/20, which had an overall grading of Red. The group were satisfied with the significant progress made to date in implementing the agreed actions, which are all now complete. This has included the implementation of a streamlined direct payments model, a dedicated direct payments advice team and revised policies and procedures. An approved provider list for Direct Payment Support has been established. Processes are now also in place to support a greater number of people to use pre-paid cards to undertake direct payment transactions.
8. The group acknowledged the significant work undertaken to launch the new model and how the service are now focussed on robustly embedding the new processes and procedures. An internal audit will be completed later in 2021/22 to follow up on the progress made.

LORNA BAXTER,

Director of Finance

Contact Officer: Sarah Cox, Chief Internal Auditor
June 2021. sarah.cox@oxfordshire.gov.uk

Date of next AWG meeting Wednesday 8 September at 14:00

Agenda items for AWG September meeting:

- Annual Whistleblowing Report
- Internal Audit Update
- Internal Audit of Childrens Placement Vacancies
- Risk Management – AWG/A&G – assurance

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AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2021/22

15 September 2021

Ernst & Young – 2020/21 Annual Audit Letter (Maria Grindley/Adrian Balmer)
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)
Surveillance Commissioner's Inspection and Regulation of Investigatory Powers Act (Richard Webb)

17 November 2021

External Auditors (Maria Grindley/Adrian Balmer)
Treasury Management Mid-Term Review (Tim Chapple)
Counter Fraud Update (Sarah Cox)
Constitution Review (Anita Bradley/Glenn Watson)
OFRS Statement of Assurance 2020/21 (Don Crooks)

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, incl Audit Plan (Maria Grindley/Adrian Balmer)
Scale of Election Fees and Expenditure (Glenn Watson)
Audit & Governance Committee Annual Report to Council 2021 (Cllr Roz Smith)
Progress update on Annual Governance Statement Actions (Glenn Watson)
Counter-fraud Update (Sarah Cox/Tessa Clayton)

11 May 2022

Annual Governance Statement (Glenn Watson)
Annual Report of the Chief Internal Auditor (Sarah Cox)
Internal Audit Strategy & Annual Plan 2022/23 (Sarah Cox)
Annual Scrutiny Report (Robin Rogers)
Ernst & Young - Progress Report (Maria Grindley)
Draft narrative statement and Accounting Policies for inclusion in the Statement of Accounts (Hannah Doney)
Treasury Management Annual Performance Report (Tim Chapple)

Standing Items:

- Audit Working Group reports (Sarah Cox)
- Audit & Governance Committee Work Programme – update/review (Committee Officer/Chairman/relevant officers)

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