

## AUDIT & GOVERNANCE COMMITTEE

**MINUTES** of the meeting held on Wednesday, 17 July 2024 commencing at 1.00 pm and finishing at 3.22 pm

**Present:**

**Voting Members:** Councillor Roz Smith – in the Chair  
Councillor Roz Smith (Deputy Chair)  
Councillor Jenny Hannaby  
Councillor Nick Leverton  
Councillor Ian Middleton  
Councillor Glynis Phillips

**Co-optee:** Dr Geoff Jones

**Officers:**

Whole of meeting Anita Bradley (Monitoring Officer), Sarah Cox (Chief Internal Auditor), Shilpa Manek (Democratic Services), Moh Cassimjee (Democratic Services) and Simon Mathers (EY)

Part of meeting Tim Chapple (Treasury Manager), Ian Dyson (Director of Financial and Commercial Services), Ella Stevens (Deputy Chief Accountant), Declan Brolley (Counter Fraud Team Manager) and Louise Tustian (Director for Transformation Digital and Customer Experience)

*The Committee considered the matters, reports and recommendations contained or referred to in the agenda.*

### **42/24 ELECTION OF CHAIR FOR THE 2024-25 COUNCIL YEAR**

(Agenda No. 1)

The Democratic Services Officer invited the Committee to elect the Chair for the 2024/25 Council Year.

As a result, a nomination for Chair, was received. A nomination for Councillor Fenton, proposed by Councillor Corkin and seconded by Councillor Leverton.

A vote was taken, and it was AGREED that Councillor Ted Fenton be elected as the Chair for the 2024/25 Council Year.

**RESOLVED: that Councillor Fenton was elected Chair for the Council Year 2024/25.**

#### **43/24 ELECTION OF DEPUTY CHAIR FOR 2024-25 COUNCIL YEAR**

(Agenda No. 2)

In the absence of the newly elected Chair, the Clerk invited the Committee to elect the Deputy Chair for the 2024/25 Council Year. Councillor Johnston proposed Councillor Smith, and this was seconded by Councillor Hannaby. After a vote was taken, it was AGREED that Councillor Smith be elected as the Deputy Chair for the 2024/25 Council Year.

**RESOLVED: that Councillor Smith be elected as the Deputy Chair for the 2024/25 Council Year.**

#### **44/24 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 3)

Apologies for absence were received from Councillors Baines, Bloomfield, Fenton and Hanna. Councillor Corkin was substituting for Councillor Fenton; Councillor Elphinstone was substituting for Councillor Baines and Councillor Johnston was substituting for Councillor Hanna.

Apologies had also been received from Lorna Baxter and Ian Dyson was in attendance at the meeting.

#### **45/24 MINUTES**

(Agenda No. 5)

The membership of the Audit Working Group was discussed as it was an action on the minutes. All Members of the Audit and Governance Committee were able to attend the Audit Working Group, but the membership is needed to be agreed on.

Other points discussed included that the training was still to be arranged, the induction pack would be formed with Members and the cyber security training was included. The whistleblowing training was still to be arranged and the Code of Conduct training would be run in September.

**Resolved:** that the minutes of the meeting held on 8<sup>th</sup> May 2024 be confirmed as a true record and signed by the Chair.

#### **46/24 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 6)

There were no Petitions and Public Address requests received.

#### **47/24 ANNUAL GOVERNANCE STATEMENT 2023/24**

(Agenda No. 7)

The Monitoring Officer presented the report to the Committee. Members would have been familiar with the Annual Governance Statement (AGS) being presented to the Committee annually. The document demonstrates the Council's compliance with good governance principles and reports on the effectiveness of its governance

arrangements in the previous year. It had been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and the Accounts and Audit Regulations 2015. The AGS was subject to approval by the Committee. The AGS was prepared in consultation and input from various officers and groups within the Council and Statutory Officers. The Committee were informed that Annex 1 provided an update on the actions set for 2023/24, Annex 2 identified 8 specific areas of focus for 2024/25 and Annex 3 was the Council's Governance Framework. The Committee were reminded that it was a backward look over the previous year.

The Monitoring Officer highlighted that there had been significant input from the Corporate Management Team who in turn had consulted their Directorate Leadership Teams and there was now an improved layout and format. The Monitoring Officer suggested changing the title 'Corporate Directors' to just 'Directors' as the numbers of directors had dropped following the restructure.

The Audit & Governance Committee was RECOMMENDED to approve the Annual Governance Statement 2023/24, 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.

The comments from the Committee included that:

- The layout and format had vastly improved, and the diagrams were very helpful.
- There was new legislation coming out in October and the Team were aware of this and actively working on the go-live date with the Procurement team.
- This would not make the process easier or more difficult, it would be an improvement to procurement and service providers.
- Members would be informed if the new legislation had significant changes.
- The Board would be internal, and any commercial decisions made, would be through the Member Improvement process.

**RESOLVED:** that the Committee approved the Annual Governance Statement 2023/24, subject to the Monitoring Officer making the 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.

#### **48/24 TREASURY MANAGEMENT - ANNUAL PERFORMANCE 2023/24**

(Agenda No. 8)

The Treasury Manager presented the report to the Committee. This was the fourth and final monitoring report for the financial year 2023/24 and set out the position as of 31 March 2024. The report reflected the performance for the 2023/24 financial year which was measured against the budget agreed by Council in February 2023.

In terms of the Council's outstanding debt, this totalled £284m and the average rate of interest paid on long-term debt during the year was 4.39%. £10m of maturing

Public Works Loan Board (PWLB) loans and £10m of LOBO loans had been repaid during the year. No new external borrowing had been arranged during 2023/24. The Council's debt financing position for 2023/24 was shown in Annex 1.

In terms of investment, in line with the CIPFA Code of Practice on Treasury Management, the Council prioritised security and liquidity of cash above the requirement to maximise returns during 2023/24. The original forecast assumed that there would be an average base rate of 4.25% for the year. However, persistent inflation saw that interest rates were held higher. They swiftly went up to 5.25% near the start of the financial year and remained there. Having higher interest rates and having slightly higher balances than were originally thought, allowed the Treasury function to receive a slightly higher return on its investment balances and as a result, our interest receivable on in house investments was £19.6 million, which was significantly above the budget of 11 million. Of that £19 million, £7.8 million had been applied to developer contribution balances so that we could retain the purchasing power of those monies.

The investments in external funds were maintained. They increased in value by £2.45 million, taking the value at the year end to £97.8 million and similarly in terms of the impact performance, the funds over produced against their budget. The IFRS9 statutory override is due to end in March 2025. In this regard, a reserve had been created with an initial funding of £5m, which would help smooth any potential unfunded pressures caused by fluctuations in fund value.

The Committee made the following points:

- The Committee agreed that it was an excellent report and congratulated the Team.
- Could the range of investments be spelt out a little more in terms of the money sitting in accounts and what it could be used for? For example, if the Council invested in corporate bonds to date.
- Local authorities had to prioritise security and liquidity first and only once those had been dealt with, a yield could be found. Corporate bonds could be purchased as they have an extremely high credit rating. The council has not invested in corporate bonds to date.
- There was £7 million of interest applied to developer contributions. Was that to backfill the impact on developer contributions from inflation? It was a historic arrangement that applied interest to developers' contributions. Very little has been applied to developer contributions over the last 10 years as interest rates were so low.
- There were quite a lot of fixed term deposits with other councils that were maturing this year or had already matured. Do these have any impact on the kind of returns the Council was getting, was this going to have an impact? In the long term, it would do, if interest rates dropped as forecasted. Loans that have matured recently have been reinvested with other Local Authorities at around 5.25% on a 12-month basis. In the next financial year, the Council should still be able to get the high average return but obviously as interest rates go lower for longer, that will reduce. But the forecast was that rates were going to drop and so that was all factored into the budget.
- If these were maturing from loans set out when the interest rates were lower, were we now getting a better deal? There were some historic loans that were

much lower rates that have dropped off and we're obviously getting a higher rate. On the flip side of things, there will be a borrowing requirement in the medium term as the capital financing requirement goes up. As interest rates go down the borrowing costs should hopefully go down as well which should be positive.

- The report had been to Cabinet and would be presented at Council in September.

**RESOLVED:** that the Audit & Governance Committee noted the report, and recommended Council to note the Council's treasury management activity and outcomes in 2023/24.

## **49/24 UPDATE ON 2023/24 STATEMENT OF ACCOUNTS**

(Agenda No. 9)

The report was introduced by the Director of Financial and Commercial Services. This was the submission of the annual Statement of Accounts that had been prepared for 2023/24. They were due to be prepared by the end of May 2024, but the Committee had been informed that was delayed until 30 June 2024. There had been a prolonged absence of the Chief Accountant who will now be leaving the Council. The Deputy Chief Accountant managed to get the work done to an exceptional standard and to the timetable. The Director thanked the entire Accounting Team.

The Statement of Accounts was out for public consultation and then would be subject to an external audit. The Committee will note that the 2022/23 accounts had not yet been subject to audit and that was as a result of a consultation. All local authorities were still awaiting the results. The expectation was that the 22-23 accounts would have been completed by the end of September, if they were going to be audited, at all. There may be an override where the accounts would not be qualified. The audit for 2023/24 had started.

Committee Members raised the following points:

- Had the Council responded to the consultation? The Council had responded and because of the Section 151 Officer's position within the Society of County Treasurers, a survey was set up to push back on the consultation with more power to get the audit completed for the 2022/23 accounts.
- The Deputy Chair commented that this was a nationwide problem and very disappointing for Councils. Some Councils had their accounts audited but they were with other firms, but EY had not conducted any audits. This was not down to the Council; this was the consequences of a national issue.
- Will the delay cost the Council? We would pay the audit fees on a scale basis; however, these had not been agreed. There could be a potential impact on the resources when working on the 2022/23 accounts at the same time as the 2023/24 accounts.
- Members asked for additional training and understanding for this item. Since there was not sufficient time in the meeting, it was agreed to be completed outside of the meeting.

**ACTION: Arrange training on accounts and financial assets**

- How accurate were the figures in the report? It was usual that there may be some areas that were contested, or technical questions asked by the auditors, but it was very rare that there were any significant issues raised by the auditors in terms of accuracy of the accounts.
- The resources at EY were questioned by Members but officers were confident that by working with EY, the Council would be reassured that the resource was available. This did remain as a risk.

**RESOLVED:** that the Committee (a) Considered and approved the draft Statement of Accounts for 2023/24 at Annex 1 and (b) Noted the update on the outstanding information on the back stop arrangements for the Statement of Accounts for 2022/23.

## **50/24 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE**

(Agenda No. 4)

There were no Declarations of Interest received.

## **51/24 INTERNAL AUDIT CHARTER**

(Agenda No. 10)

The report was presented to the Committee by the Chief Internal Auditor. The report presents both the Internal Audit Charter and the Quality Assurance and Improvement Programme for 2024/25. These were subject to annual review. There were no material changes to the report since last year. The Internal Audit Charter would be subject to review and amendment during 2024/25, considering the introduction of the new Global Internal Audit Standards which would be effective from January 2025. In response to the new global standards, the UK Public Sector Internal Audit Standards Advisory Board (IASAB) were reviewing the standards with a view to identifying and producing any sector specific interpretations and guidance material. The effective date of implementation of the new material developed by the IASAB would be 1 April 2025. Until then we were advised to continue to operate in accordance with the existing Public Sector Internal Audit Standards.

Members made the following comments:

- The report commented on full population testing, what did this mean? This could mean that you do full population testing where it would test the whole sample and it may give you a yes or no result. But more often, it's about looking across the whole population to then look at a sample. It was also about providing positive assurance across a sample.
- What was Artificial Intelligence going to bring to the work that has been described and were there other streams nationally and locally that were in play? There were lots of opportunities such as Copilot which could be used to produce reports and analyse big data sets. There may be aspects that could pick out key streams. It was an interesting area with lots of opportunities.

**RESOLVED:** that the Committee a) approved the Internal Audit Charter and b) noted the Quality Assurance and Improvement Programme.

## 52/24 COUNTER FRAUD PLAN AND UPDATE

(Agenda No. 11)

The report was presented by the Chief Internal Auditor and the Counter Fraud Team Manager. Firstly, two corrections were highlighted in the report; paragraph 11, in the top paragraph, the 6 should read as 7 and paragraph 12; in the very top box, it should read 5 cases instead of 2 cases.

This report presented a summary of activity against the Counter Fraud Plan for 2023/24, which was previously presented to the July 2023 Audit & Governance Committee meeting. The report also presented the Counter Fraud Plan for the coming year 2024/25. The Counter Fraud plan supported the Council's Anti-Fraud and Corruption Strategy by ensuring that the Council had proportionate and effective resources and controls in place to prevent and detect fraud as well as investigate those matters that did arise.

An update was provided to the Committee on the resources of the team. No services were now provided to District Councils, so the team had more capacity. The Team was working on a lot of reactive work, and this could be more resource intensive, and it could not be planned for. The prevention work had got better and hopefully this would be reflected in the plan for the year ahead. The use of data analytics and the work on counter fraud, an officer was now working across both areas, and this was being used to improve the audit assurance. The Senior Counter Fraud Officer had now qualified. The Team was now stable. The Chief Internal Auditor was very confident about delivering the plan for the year ahead.

Members raised the following points:

- There was some legislation that was due on the Economic Crime and Transparency Act, how was this going to affect the Council? This was a good opportunity to see where the Council is in terms of high-level controls set out in the Strategy. It was a good opportunity to review them and use them as a health check. The organisation could now be held liable for allowing fraud to have happened unless it was demonstrated that it had policies and procedures in place to counter-act it. It mirrored the Bribery Act.
- The Team had managed to get back £64000 from a company that went into liquidation, how much was that short on the amount that was lost in the first place? The officer reported that the amount received was just over half of the original claim.
- Blue badge fraud was not very costly to the Council. It is an inherent risk for the Council, that the Council takes seriously and is proactively tackling with the team which are doing well to stamp out fraud in this area.
- Further details were asked for on some of the cases in Section 10. Officers gave the detail to the Members and informed the Committee that the report was at summary level only and the detail, if required, was presented at the Audit Working Group, which all Members of the AGC could attend.
- What was the Chief Internal Auditors assessment on the level of fraud at the Council and could it be reduced with more resources? There was no material problem with fraud at the Council. There was no benchmarking across local authorities. There was the Audit Network and the Counter Fraud Network. Prevention of fraud was more important. Officers had full confidence in the

counter fraud team which was going in a good direction. It was important to note that the Council were taking fraud seriously and this had been developed and strengthened over the last two years. There was cooperation with Thames Valley Police with joint investigations and dedicated officers in place. The Team had also taken Whistleblowing on board.

**RESOLVED:** that the Committee a) noted the summary of activity against the Counter Fraud Plan for 2023/24 and b) Approved the Counter Fraud Plan for 2024/25.

## **53/24 RISK MANAGEMENT UPDATE**

(Agenda No. 12)

The report was presented to the Committee by the Director for Transformation Digital and Customer Experience. The report sets out updates to Risk Management and an overview of the latest strategic risk register which contained the Council's most significant risks. The strategic risk register is closely managed by the Council Management Team and reported into the Strategic Leadership Team as part of the Council's Business Management and Monitoring Reports. These combined reports contained performance, risk and finance progress updates against the delivery of the current strategic plan priorities.

The revised strategy would be presented at a future meeting and the risk management training would continue on an annual basis and this would reflect any changes.

Members asked the following questions:

- There seemed to be an absent key risk from the strategic risk register, climate change was not on there. It was reported that this would be added, close work was ongoing with the climate change team. The Climate Action Team had their own risk register but the risks were to be escalated.
- Working with partners and other joint working arrangements in place, were these monitored? These were closely monitored.
- The section in the report of direction of travel needed more text to help understanding what this meant. It was the residual score changes from the previous month to the current month. A key would be added. The HIF1 and HIF 2 position would be added to the next version.
- The interactive reporting was still being worked on.

**RESOLVED:** that the Committee noted the Risk Management update.

## **54/24 CONSTITUTIONAL CHANGES FROM HR**

(Agenda No. 13)

The report was presented by the Monitoring Officer. There was a need to change the approach to hearing and deciding on appeals in employment relations matters in respect of officers of the council to reflect best practice and to reduce delays in dealing with the appeals process. As a result, there would be a need to update the current Officer Employment Procedure Rules set out in Part 8.4 of the Council's



Constitution and to amend other relevant clauses in the Constitution to reflect those changes.

Currently, on average the Council managed 200 employment relations cases per month. Cases were investigated and heard by managers within the organisation. Should an appeal be raised (there are approximately 2 appeals per month), this was currently heard by a Members' panel made up of 3 members. It had been identified that arranging the Panels for Members to hear those appeals as a result of members' availability led to delays in those matters being decided, resulting in increased risk to the council, lower employee morale and financial impact to the council.

It was proposed that an Appeals Sub Committee continue to hear and decide appeals against dismissals lodged by any Chief Officer of the council other than the Head of the Paid Service, the Section 151 Officer, the Monitoring Officer and where a separate process was set out in legislation and the Constitution was followed. It was proposed that for all other roles any employee's investigation, hearing and appeals process would at each stage be conducted by an independent suitably trained officer with appropriate technical competence. Further, a delegation to the Monitoring Officer was requested to make changes to the Constitution corresponding to the recommendations made in this report.

Members made the following comments:

- The perception of no Member input would not be appropriate. The Member was the impartial part of the Members Panel. There were highly skilled Officers to carry out employee matters.
- Would it be more transparent to give the appellant a choice if they wanted a Panel hearing and they be advised that this may take longer but this would ensure a default position was in place. This was a good concept but would create a two-tier process. A clear process was essential.
- In the current role of a Member, there was not always time for Members to be available to sit on Panels and sometimes Members did not have enough knowledge in employment law, but the trained Officers were very well trained.
- Members had sat on many of these Panels and had not really noticed delays. The engagement with Members could be the reason that Members did not come forward and the delays could be a result of case preparation. Members were independent and gave the appellants reassurance that everything would be considered.
- The delays could cause stress to the appellant. Would it help to have an independent trained person from another organisation? The Monitoring Officer commented that this would be an additional cost to the Council and could cause further delay.
- It was useful to keep Members involved in the appeal panel process, even as a lay Member or an Officer from a different part of the organisation, trained with the necessary skills.
- With so many cases per month, did the line managers, officers and managers require more training? The Monitoring Officer commented that with 5500 employees including schools, these covered every grievance and complaint, of which the levels could be very different and as change led to greater feelings of uncertainty and therefore more of these kinds of concerns.

- Maybe Panels could be scheduled like meetings twice a month and cancelled if not required and formalised more with more training.
- Members were not convinced that the recommendation was feasible.

The recommendation was read out and a vote was taken. No Members voted for the recommendations, six Members voted against the recommendations and one Member abstained from voting.

**RESOLVED:** that the Committee refused the recommendation so it would not be going forward to Council and the process to remain as it currently was.

Councillor Corkin left the meeting.

**55/24 ERNST & YOUNG UPDATE**

(Agenda No. 14)

Simon Mathers introduced himself as the new Partner for the 2023/24 audits of the Oxfordshire Pension Fund.

The EY position on the backstop dates was all going smoothly until the general election was called in May 2023 and therefore legislation was not enacted. Consultation took place regularly and the interim guidance issued was for organisations to maintain previous strategies and deliver the 2023/24 accounts and the pension fund.

The report updated the Committee of the current position.

It was noted that an independent advisor was in post to mitigate the risks.

**RESOLVED:** that the Committee noted the report

**56/24 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

(Agenda No. 15)

The Committee noted the work programme and asked for the following changes:

- To add the Procurement Regulations Briefing to the September meeting.
- To update the Highways Contract to the January Meeting.
- To bring forward all training session to Midday and meeting to begin at 1pm if the new Chair was happy.

..... in the Chair

Date of signing .....