

**Remote meeting**  
**Minutes of a meeting of the**  
**Audit and Governance Committee**  
**on Thursday 30 July 2020**

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**Committee members present:**

Councillor Fry (Chair)	Councillor Munkonge
Councillor Corais	Councillor Rush
Councillor Simmons	Councillor Tanner

**Officers present for all or part of the meeting:**

Anita Bradley, Monitoring Officer  
Nigel Kennedy, Head of Financial Services  
Bill Lewis, Financial Accounting Manager  
Jennifer Thompson, Committee and Members Services Officer

**Also present:**

Greg Rubins, Internal Auditor (BDO)  
Yasmin Ahmed, Internal Auditor (BDO)  
Adrian Balmer, External Auditor (EY)  
Maria Grindley, External Auditor (EY)

**Apologies:**

No apologies were received

**1. Election of Chair for the 2020/21 municipal year**

The Committee elected Cllr Fry to be the Chair for the Council Year 2020/21.  
Cllr Fry took the Chair.

**2. Election of Vice Chair for the 2020/21 municipal year**

The Committee elected Cllr Munkonge to be the Vice Chair for the Council Year 2020/21.

**3. Declarations of Interest**

None.

#### **4. National Audit Office Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19**

The Committee considered the guide prepared by the National Audit Office.

The Head of Finance, Nigel Kennedy, said all questions were relevant and he had prepared a report setting out the council's responses and the actions taken to mitigate the risks and issues highlighted in the guide. This would be circulated to the committee and published with the minutes.

**The Committee noted the guide, and that the report of the Head of Finance would be published with the minutes.**

#### **5. External Audit: Audit results report for the year ending 31 March 2020**

The Committee considered the report. Maria Grindley and Adrian Balmer (EY's auditors) introduced the report and along with the Head of Finance answered questions.

The Committee noted:

- The accounts would be presented to the October meeting for approval. The statutory deadline for completion and presentation of the 2019/20 accounts had moved to 30 November 2020 due to the disruption caused by the pandemic.
- The audit should conclude in the next few weeks subject to completion of specialist audits of property, plant and equipment; fixed assets; and pensions all of which were made more complex by rapidly changing economic factors. These findings and the 'going concern' calculations would be reflected in the final accounts and final audit opinion.
- Evaluation of the council as a going concern this year was complicated by current uncertainties in property and investments valuations; the impacts on wholly-owned companies, revenue and funding streams in the economic shutdown; and liquidity and access to revenue; as well as equity.
- The audit differences highlighted and the amounts re-stated did not affect the overall financial position or balances.
- Restatement of the Oxford Direct Services accounts, resulting in delay in completing these and finalising their audit, had a direct impact on the timetable for completing the council's accounts. The Head of Finance was communicating with ODS and their auditors.

**The Committee expressed concern about the delays in finalising the Oxford Direct Services accounts and the consequences for the council's accounts.**

**The Committee noted the report and the answers to questions.**

#### **6. Annual Governance Statement for 2019/20**

The Committee considered the Annual Governance Statement for the 2019/20 financial year for approval. Anita Bradley (Head of Law and Governance) introduced the report, highlighting key areas from the review to 31 March 2020 (pre pandemic) and the action plan for post-1 April, and answered questions.

The Committee noted:

- There were no areas where governance was weak. The council's decision making processes and governance were robust and well supported by a mature scrutiny function.
- The action plan covered areas for improvement and review including those particularly affected by the changes in working environment caused by the pandemic response.
- Decision making was the responsibility of the Executive and emergency powers were set out in the Constitution agreed by Council. Group leaders and senior councillors were consulted on decisions while normal public-facing decision making meetings were not possible (virtual public-facing meetings were resumed on 18 May, then followed the meetings programme agreed by Council).
- Councillor's comments that they felt member governance was lacking in the four month gap between scrutiny meetings and Council meetings.
- Councillor's comments that service delivery to residents, not member involvement, was key and the council had delivered continuing and new services very well during the lockdown.
- A request that the committee consider a report on governance under the new working arrangements.

The Chair commended the statement as a useful and informative overview of the council's business and thanked the lawyer who had prepared it.

**The Committee resolved to approve the Annual Governance Statement for the 2019/20 financial year.**

## **7. Risk Management Report - Quarter 1 July 2020**

The Committee considered the report on corporate and services risks as at 31 May 2020. Bill Lewis (Financial Accounting Manager) introduced the report and answered questions.

The Committee noted:

- The new corporate risk around ensuring housing delivery and supply.
- The challenges and response to the council offices being closed staff transferred to homeworking as a result of the COVID19 lockdown guidelines, and the refresh of business continuity planning as a result.
- Due to huge efforts by ICT and staff, business had continued with minimal disruption with ongoing work to provide ICT services, equipment and furniture to support homeworking longer term.
- The crisis showed the central role of the ICT team in business continuity planning and resilience, and the disruption caused if any part of the ICT environment was unavailable. That would be incorporated in future plans.
- With homeworking now the on-going default for most office-based staff, a task group was reviewing the business model and new working patterns.
- QL (Housing Management Software) would be implemented in September and would have a major benefit for a number of processes.

- Individual risk assessments covered the environmental impacts and the impact of COVID19. There were no impacts arising directly from the report itself.
- There were severe economic risks to the city and the council if 20% of businesses were to close. Central government had funded grants, expanded business rate reliefs, and provided some semi-discretionary grant funding to support businesses affected by the COVID19 restrictions.
- Councillor's comments that a more detailed report on the business continuity planning process across a range of scenarios would be helpful.

**The Committee noted the report and the answers to questions.**

## **8. Internal Audit: Crisis response and the impact on the Medium Term Financial Strategy**

The Committee considered the report of the Internal Auditor and the answers to their questions from the Internal Auditor and the Head of Finance.

The Committee noted that

- the current loss of revenue amounted to £24m for Oxford City Council (about £156/resident) and £64m for Oxfordshire County Council (about £95/resident);
- so far this financial year no council had issued a S114 notice which placed a legal requirement on the Chief Financial Officers of the Council, under, Section 114 (3) the Local Government Finance Act 1988 to advise "where the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure". . A number of authorities had however made announcements that they were close to doing so due to their anticipated losses arising from the impact of COVID19.

**The Committee noted the report and the answers to questions.**

## **9. Internal Audit: Annual Report and Annual Statement of Assurance for year to March 2020**

The Committee discussed the report of the internal auditor BDO summarising the work undertaken by internal audit during 2019/20 and give an overview of the effectiveness of controls in place for the full year

Greg Rubins (BDO) introduced the report and answered questions.

The Committee:

- Noted the audit opinion of 'moderate assurance' for the overall design and effectiveness of the council's internal controls.
- Discussed the criteria for an audit opinion of 'substantial assurance' rather than 'moderate'.
- Asked for a report providing data on the overall audit opinion for BDO's client councils.

**The Committee noted the report and the answers to questions.**

## **10. Internal Audit Progress Report - Quarter 1 July 2020**

The Committee discussed the report of the internal auditor BDO informing the Committee on progress against the 2020-21 audit plan; the assessments of systems reviewed in this quarter; and the Local Government Sector update. Yasmin Ahmed (BDO) introduced the report and answered questions.

The Committee discussed the executive summary of the graffiti and street appearance review and noted the scheduled audits for 2020/21.

**The Committee agreed** that the Audit 1 Car Parking should proceed as scheduled with the option of delaying in whole or in part if that would give a more effective test of the procedures and controls.

**The Committee noted the report.**

## **11. Internal Audit: Recommendation follow up – Quarter 1 July 2020**

The Committee discussed the report of the internal auditor BDO setting out progress on those recommendations raised by Internal Audit which are due for implementation.

Yasmin Ahmed (BDO) introduced the report and answered questions.

The Committee noted:

- Implementation dates were in 23 cases deferred due to the impact of COVID19 and changed demands on the service area.
- For the events management recommendations, implementation dates had been put back because of staff shortages and also the significant reduction in events.
- Debts were increasing due to the impact of COVID19 on personal and business finances: rent arrears were growing significantly and tenants were reluctant to engage with the council. Debt recovery was managed pragmatically, taking a pro-active approach and engaging early with those in arrears where possible.

**The Committee noted the report and the answers to questions, and asked that the Culture & Community Development Manager attend the October meeting to discuss progress on the events management recommendations.**

## **12. Minutes of the previous meeting**

The Committee agreed to approve the minutes of the meeting held on 9 March 2020 as a true and accurate record.

## **13. Dates and times of meetings**

The Committee noted the dates and times of their meetings.

**The meeting started at 6.00 pm and ended at 8.00 pm**

Chair .....

**Date: Wednesday 21 October 2020**

*When decisions take effect: immediately. Details are in the Council's Constitution.*

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**To:** Audit & Governance  
**Date:** 30<sup>th</sup> July 2020  
**Report of:** Head of Financial Services  
**Title of Report:** National Audit Office Guidance for Audit and Risk Committees on financial reporting and management during COVID 19

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	The National Audit Office have recently issued a guide for areas of probity by Audit and Risk Committees into additional risks arising from the COVID 19 pandemic. This report seeks to give Members some reassurance that these items are being addressed
<b>Key decision:</b>	No
<b>Cabinet Member with responsibility:</b>	Councillor Ed Turner
<b>Corporate Priority:</b>	All
<b>Policy Framework:</b>	None specific
<b>Recommendation(s): That the Committee resolves to:</b>	
1. To note the report	

<b>Appendices</b>	
Appendix 1	Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19

## Introduction and background

- Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Guidance issued recently by the National Audit Office as attached in Appendix 1

seeks to help Audit and Governance committee members to carry out their role on probity in a number of key areas :

- Annual reports
- Financial reporting
- Control Environment
- Regularity of Expenditure

2 The Guidance raises specific questions in these areas, answers to which are picked up in more detail below

### **A. Annual reports / Narrative Report**

#### **Has COVID-19 caused new risks to achieving the organisation's stated objectives?**

- Does the performance report reflect the impact of COVID-19 on the organisation's performance against objectives in the year?
- Does it clearly consider whether COVID-19 influenced the organisation's ability to meet objectives?
- Does it consider the organisation's performance in general, including where this deteriorated or was below expectations?

**Response:** The Narrative Report includes a section on Financial Prospects Looking Forwards outlines the effect of COVID-19 on the economy and the Council's finances for both the General Fund and the HRA. It also outlines the mitigating action being taken to protect the Council's financial position going forward and also the effect on the Council's previously budgeted new initiatives and the capital programme.

- Does the corporate governance report consider whether expenditure in response to COVID-19 was in line with parliamentary authority (regular) and in accordance with the principles of Managing Public Money?

**Response** - Whilst the report does not specifically pick this issue up members can be assured that the expenditure commitment of approximately £1.5 million in respect of the responses to COVID 19 was approved initially under urgent powers given to the CEO and then later reported to Cabinet on 24<sup>TH</sup> June 2020

- Where this was not the case, has this been clearly disclosed?

**N/A**

- Does the corporate governance report detail how the control environment has changed due to COVID-19 and the risks associated with these changes?

**Response** -Most of the Coproate Governance Report is backward looking into 2019-20 and therefore does not specifically pick up the control environment changes arising from COVID 19

- How does the report discuss new risks in relation to COVID-19 and the associated responses to these?  
**Responses** -Mitigation for risks identified are contained within the action plan appended to the report
- Does the report discuss how the organisation's risk appetite has changed?  
**Response** -Not specifically
- Where relevant, has any streamlining to the annual report due to COVID-19 been agreed with the relevant select committee or parent department?  
**No**

## **B. Valuations**

### **What information has been used in determining the value of assets and liabilities?**

- In the absence of timely information, how has management estimated valuations? Is this reasonable? How have changes in valuations for reasons due to COVID-19 been considered?

**Response:** Property Fund unit prices, dividend yields, fund values, and investor returns provided by fund managers are amongst the information used to determine values. Values for leases as lessor obtained from RICS qualified valuers. As at 31<sup>st</sup> March there are only limited areas where information has not been available on a timely basis. The most challenging area has been in property valuations, including the valuations of the property fund investments. For the property funds, information was available up until late in March and so, although there has been a material uncertainty placed on the valuations, it is not believed that this has a material effect on the end of year valuations. The effect of COVID-19 is reflected in the internal RICS Registered Valuer review of expert valuations at reporting date

- Is there any other information that should be considered?
- How have experts been used to support management in valuations?
- Where experts' work was completed before the reporting date, how has management gained comfort that the valuation remains appropriate?
- Have the experts provided any caveats on their advice? If so, how have these been considered?

**Response:** Available information considered sufficient, with recourse to additional data not considered to reduce potential levels of uncertainty. All market based valuations provided by experts. Management have also been mindful of reviews and forecasts provided by Link Asset Services (Oxford City Council treasury advisors). Property valuations were completed prior to the reporting date; the internal RICS Registered Valuer reviewed market activity & external forecasts post valuation date, to determine where indexation of original valuations to reporting date was required. The internal RICS Registered Valuer reported property market review on basis of

RICS Red Book standards VPS 3 & VPGA 10. These recommendations were accepted by management.

**What are the key assumptions used to determine valuations and how has the relative probability of various outcome scenarios been assessed?**

- Have the key assumptions been disclosed clearly?

Response - For property valuations, existing use value, depreciated replacement cost, or market value have been used to determine valuations. The key assumptions have been reported clearly.

**C. Property Valuations**

**What data have management used for property valuations?**

- Is this reasonable? Are there other data that could be used?
- Do these data consider how the market changed in late March 2020?

**Response:** Comparable evidence of transactions together with knowledge and information on market trends has been used to support property valuations. This is completely correct and reasonable and the best data to assess property values. There is no other data set that could be used. The data does not consider the impact of COVID 19 on the market since the effect is not discernible or predictable due to lack of transactions and the unprecedented nature of the incident.

**How have experts been used to support management in valuing property?**

- Where experts' work was completed before the reporting date, how has management gained comfort that the valuation remains appropriate?
- If experts were not used for property valuations, should they have been given the current uncertainty?

**Response:** We have used external RICS qualified valuers to support the valuation process and also have in house valuers similarly qualified so throughout the process all values have been reviewed and considered by such experts. We also have in place a panel of RICS surveyors in house who are involved in a process of review of all valuations prior to final sign off by the Councils Registered Valuer. Our in house team has been fully involved throughout before and after the reporting date to review and consider valuers reports and provide expert opinion.

**Have the valuers been able to complete their work?**

- If they have managed to complete their work, has a material uncertainty paragraph been included in their report?
- How has this clause been considered by management?

**Response:** The valuers were able to complete their work. A material uncertainty paragraph been included in their report, however management do not consider that this would have a material effect on the valuations at year end and, in any case, there is no other evidence to use.

**Where a full revaluation is not required in-year how has management valued property in the current market?**

- Has management considered whether the indices used remain appropriate?

**Response** - We have utilised expert advice from RICS qualified valuers, both internal and external, to consider any adjustment or indexation that should be applied to arrive at a valid and reasonable assessment of value. This has utilised external indices of market trends and shifts and wider economic trends. This is an ongoing process and full advice from qualified valuers has been utilised to ensure that the indices remain appropriate.

**Have assets been physically verified?**

- If not, how have impairment reviews been carried out? Are there any other impacts of not physically verifying property?

**Response:** A large proportion of the assets have been physically verified by the in-house and external professional teams but there are occasions when this is not possible and reliance on previous valuation reports, council records and databases and other technology based media such as google maps, street-view etc. is utilised alongside the extensive knowledge base of the in-house property team.

**Is the disclosure of estimation uncertainty clear and understandable for users?**

- Have all relevant sources of estimation uncertainty been disclosed?

**Response:** All relevant sources of estimation uncertainty have been disclosed.

**D. Pension schemes valuations**

**Has management held discussions with pension plan actuaries regarding changes to their assumptions due to COVID-19?**

- What adjustments have been made to assumptions?
- Do the actuarial assumptions represent the information available at the reporting date?

**Response:** The assumptions have been based on information that was fed into the recent triennial valuation of the fund which, due to the nature of the fund, are assumptions that apply for the long term, circa 25 years. Investment returns are those as at February and projected forward to 31<sup>st</sup> March. The actuary isn't

proposing any changes to the assumptions they used in the reports, these assumptions affect the liability value. The impact on assets is largely captured in the investment return to the end of March, the estimated return for the q/e 31 March 2020 used in Oxford City's report was -13.1% compared the a figure of -13.2% from the Pension Fund's final performance report for that period. Due to the long term nature of the fund, although there will be changes to returns and impacts on assumptions over the short term, this is still felt that this will not significantly affect assumptions over the long term.

#### **What is the availability of information to be used in determining valuation?**

- Where valuation information which does not date from the year-end has been used, how has management ensured this is accurate as at the reporting date?

**Response:** The purpose of the triennial valuation is to model the fund over a 25 year period. As previously stated, investment returns were based on the information available at end of February and projected forward to the year end. There is not expected to be a significant impact over the long term of any variations, however the pension fund managers have been monitoring this in conjunction with the actuary and there is not currently expected to be any impacts that would need reflecting in the pension fund figures reported as at 31<sup>st</sup> March 2020.

#### **Have pension plan actuaries provided any caveats in their reporting?**

- If so, how has management taken account of these?

**Response:** The pension fund actuaries have not provided any caveats in their reporting beyond the normal reporting of uncertainties including those around the final impacts arising from the outcome of the McCloud / Sargeant court case. The pension fund actuaries have provided a sensitivity analysis on some of the key assumptions which has been reported in the notes to the accounts.

### **E. Inventory valuations**

#### **How has management gained comfort over the quantity and condition of the stock held at the reporting date?**

- If stock counts have not been possible, what alternative procedures have management completed?

#### **How has COVID-19 impacted inventory usage?**

- When do you expect this to go back to normal?
- How has this impacted valuation forecasts?

How has management valued inventory held in the context of COVID-19?

- Is this reasonable? What other methods could have been considered?

Has management had to use new suppliers/hold inventory of new goods?

- How has management assured itself that the suppliers can supply or have supplied the goods at the quality or quantity required?

**Response:** The level of inventory held by the Council is not material and therefore there is no material impact on the financial position of the Council of holding inventory or the use of inventory.

## **F. Completeness of Liabilities**

**Are liabilities complete based on your knowledge of the business and the impact of COVID-19?**

- Has management completed a robust review to identify onerous contracts?
- Are there any other areas of COVID-19 impacts that are not yet considered?

**Response:** Contracts are monitored at a strategic level by the Council's Procurement Team. Individual contracts are managed at a service level and where there are impacts arising from COVID-19 these are being closely monitored and assessed. An example of this is the contract for the provision of leisure services at leisure centres and the ice rink. There are significant pressures on these contracts due to the closure of buildings and social distancing and service officers are in close contact with suppliers about the impact and are planning and negotiating a route map forwards.

**Is management using the best available and most up-to-date information to value?**

- Where information is not available at the reporting date, has management completed adequate procedures to assess the impact of COVID-19?

**Response:** Management is using the best available and most up-to-date information to value liabilities and whereas there are not significant impacts on the 2019/20 financial year, the effects over 2020/21 and onwards are being assessed and the impacts are used to inform the budget monitoring for that year and the budgeting for the years going forwards. The Council is planning to start the budget process earlier than normal this year due to the exceptional level of pressures and financial challenges going forward.

**Where there is estimation uncertainty is it disclosed transparently in the financial statements?**

- Does this include sensitivity analysis?

**Response:** Sensitivity information on estimation uncertainty is included in a note to the financial statements.

## **G. Going Concern**

### **Is management's strategy or business plan from a period pre-COVID-19?**

- Has this been updated? If not, is it clear why a plan from before the outbreak remains appropriate?

### **Is management's forward plan robust in the context of COVID-19?**

- Do forecasts represent the latest information available? Has management completed scenario-testing on its forecasts?
- Is the forward plan in line with your understanding?

**Response:** The Council's Medium Term Financial Plan was set in February 2020 prior to the COVID-19 impacts. However an assessment of the effect on the Council of the pandemic has been made and a report was taken on this to the Council's Cabinet on 24<sup>th</sup> June 2020 which updated members on the estimated financial impact of the Coronavirus and the strategy of a transfer from reserves by the Head of Financial Services to cover the estimated increased net expenditure in 2020-21 followed by a budget re-set for 2021-22 and beyond was agreed.

### **Is management's going concern consideration complete?**

- Has management considered different eventualities and the likelihood of each?

### **Is there substantial doubt over the entity's ability to continue as a going concern?**

- Do the disclosures in the financial statements reflect the impact of COVID-19 transparently?

**Response:** The Council has a balanced 4 year MTFP agreed by Council in February 2020 and the current position was updated and agreed at the Council's Cabinet on 24<sup>th</sup> June 2020. The current projections followed a risk assessed approach of the likely impacts of the pandemic across all Council services. The accounting standards under which the Council's accounts are prepared has provisions in respect of going concern reporting requirements that reflect the economic and statutory environment in which local authorities operate. These provisions make it clear that a Council's accounts must be prepared on a going concern basis of accounting. Councils cannot be created or dissolved without statutory prescription and in any case, the services provided must continue to operate for the foreseeable future. The requirements to use the going concern basis of accounting means that authorities therefore cannot apply paragraph 25 of IAS 1 mandating management to make an assessment of the authority's ability to continue as a going concern. This is despite the impact of COVID-19 on local

authority financial sustainability because the going concern basis of reporting in the Code and the rationale behind it remains unchanged.

## **H. Events after the reporting period**

### **Have management considered all relevant events after the reporting date that could impact on the organisation?**

- Are these events correctly assessed as adjusting or non-adjusting events?
- Do the financial statements make clear how COVID-19 has impacted the organisation in general after the reporting period date?

### **Do the financial statements appropriately recognise the events identified?**

- Are the financial statements appropriately adjusted for relevant adjusting events?
- Have non-adjusting events been clearly and transparently disclosed?
- Is the value of non-adjusting events and potential impact for the organisation clear?

**Response:** The impact of the COVID-19 pandemic has been outlined in the Narrative Report and in a disclosure note to the statements. These effects have been assessed as non-adjusting since they relate to events that were not existing at 31<sup>st</sup> March but emerged before the completion of the audit of the Financial Statements. There were minimal effects on the figures to be included in the Financial Statements through impacts up to 31<sup>st</sup> March 2020, for instance the valuation of the Council's investments in property funds. Following the end of the financial year, there are additional impacts with the Council having closed Leisure centres, reductions in car park usage and pressures on investment property rental income plus additional expenditure to support vulnerable members of the community.

## **I. Control environment**

### **Were any changes needed to the design and implementation of internal controls to respond to COVID-19?**

- What has been the impact of these changes? How long are these changes expected to last?

#### **Response:**

**Revenues And Benefits** - The Council have been required to make grant payments to businesses. This required a new design of the application form, prepayment checks, bank account checks etc. Approximately £23.9 million has been paid to 1462 business in the Retail, Hospitality and Leisure Sectors. A further grant allocation of £1.4 million has been made available for the payment of discretionary grants to businesses and the service is currently in the process of making payments.

**For Treasury Management** approvals, authorisations are accepted by email instead of using signatures. These emails are then retained as a record of that transaction approval. This is just an extension of the changes made to Treasury Management processes in February in anticipation of the need to operate the function from home whereby all of the paper based records were converted to an electronic process. These changes were planned in any case as part of general business resilience and merely accelerated by the pending pandemic.

**Payments** - The payments team have also moved to email authorisations instead of signatures, these still need to be in accordance with the authorised signatory list, and the email is kept with the invoice as a record of approval.

**Are the changes sustainable? How significant are these changes?**

- Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls? Can the negative impact of any changes be reversed?

**Response:**

**Revenue and Benefits** – The process for the payment of grants is sustainable and ‘well oiled’ and was used by the internal team as best practice for use in other authorities.

**Treasury Management** changes are sustainable and are planned to be maintained as electronic processes going forwards.

**The payments team** changes are also sustainable and will be continued as we are now able to keep all invoices in an electronic form rather than paper copies.

**Where changes were made to controls, did the organisation understand where there was increased risk because of this?**

Response – Any perceived risks have been mitigated

- Were other controls strengthened to compensate for this?
- Has remote working affected the operational effectiveness of internal controls?
- Are any controls only able to be implemented in person, such as those over physical assets?
- Have changes in personnel performing the controls impacted effectiveness?

**Response:**

The controls put in place are deemed adequate

**How have IT services performed during the outbreak?**

- How has this impacted the effectiveness of controls?
- How have cyber security controls been considered?

**Response:**

The

**Where service organisations are used, have there been any changes to the design and implementation of their controls?**

- Where relevant, what has been the impact of this?

**Response:**

Revenues and Benefits - DWP moved staff to processing UC claims so the Council had to stop some things, like deductions from benefits. This has been controlled by us by moving staff to areas/methods of communication where they can collect. Regulation changes have meant Enforcement agents can't collect so we haven't sent work to them. Controls may change as we move forward. I'm thinking of the Court process where there may be a different way of taking courts and less direct access to a Council employee by a debtor prior to attending court.

**J. Regularity of expenditure****Have there been any significant changes to the organisation's activities during the outbreak?**

- If so, have the changes required new legislation or changes to delegated authorities?
- Has the accounting officer assessed the reasonableness of increased expenditure or new activities in the context of Managing Public Money?
- Have ministerial directions been required? Have these been provided?
- Are these disclosed transparently in the corporate governance report?
- Is there any new expenditure that could be deemed novel and contentious?
- How has this been treated?
- Has management breached any control totals?

**Response –**

The government has temporarily removed the legal requirement for local authorities to hold public meetings in person during the coronavirus pandemic

The Council is forecasting additional expenditure in 2020-21 of around £1.5 million in housing rough sleepers, protection of vulnerable families and issuing food parcels in though locality hubs located on a number of key estates in the city, and payments in respect of leisure centres. This additional spend was approved by the Chief Executive under urgent decision powers and has been reported to Cabinet on 24<sup>th</sup> June 2020

There has been no breach of controls

- Have there been any other regularity breaches or contentious issues?
- Have the provisions in Procurement Policy Note 02/2020 been used by management?
- Has management carried out and documented appropriate due diligence checks on relevant suppliers?
- Have all other Managing Public Money provisions applied to payments made under the Procurement Policy Note?
- Has management received open book information from impacted suppliers?

**Response:** From a procurement perspective there have been no significant changes to activities. There has been a nominal increase in procurement activities – partly driven by a review on the contract register, and partly from areas such as rough sleepers.

There has been no requirement to change delegated authority. Exemptions have been used when required under the COVID19 PPN with any increases in expenditure highlighted to the finance team.

Additional expenditure is not deemed as novel or contentious.

All appropriate due diligence has been carried out on new suppliers during the Covid19 period. Suppliers are being paid immediately for the time being on receipt of a valid invoice and procurement cards have been used where required. As per PPN 04\_20 Recovery and Transition.

## **K. Fraud and error**

### **What exposure to fraud and error does the organisation have in its responses to COVID-19?**

- Have controls been turned off or reduced?
- Are there new expenditure or procurement streams, or delivery methods that introduce new risks?
- How is the organisation managing fraud and error risks?
- Are they logged, with a monetary estimate of the potential fraud and error exposure?
- Have options to reduce fraud and error been evaluated? Has management assessed the organisation's risk appetite for losses through fraud and error? Are there any changes to this?
- What processes are in place to measure fraud and error and evaluate the effectiveness of activities to prevent or detect this?
- How is management using this information to update risk assessments or inform controls?
- Does management have real-time indicators to support informed decisions on risks?

**Response:** After the announcement and rapid rollout of business grant funding streams, the Council came under intense pressure to award grants with minimal pre-payment checks, in the interests of providing assistance to struggling businesses.

The Counter-Fraud Team recognised this as an immediate and significant risk of financial loss. In response, a robust process of verification and validation was implemented by the team, in coordination with Revenues Team colleagues. This swift action resulted in the prevention and detection of fraudulent, duplicate and irregular grant applications, which may have resulted in over £2m of incorrectly allocated funding.

The development & refinement of due diligence processes took time, and as a result, criticisms were levied at the Council for not awarded grants timeously. Risks were

balanced against the pressure to pay quickly and the need for security and assurance ultimately rule out.

Outside of business grants, a multitude of new and inventive scams and frauds emerged and continue to present an ongoing risk. In mitigation, a repository of information regarding these scams is held by the team. Staff are made aware through targeted dissemination or through internal communication channels.

In terms of risk appetite, a zero tolerance to fraud approach is taken by the organisation and this remains unchanged.

The team has always operated a nationally recognised approach to measuring fraud which includes values of prevented losses as well as increased revenue. This methodology is being applied to the new and emerging fraud risks as they are tackled.

The organisational inherent fraud risk assessment matrix, produced by the team in 2019, will be revisited to ensure it is relevant and up-to-date.

- 3 The Council is in unprecedented times arising from COVID. A significant part of the workforce is working remotely and the Council's finances are extremely stretched with losses of £9 - £10m this year and a further £14m over the next 3 years. Undoubtedly the change in working environment poses a number of challenges which effects the manner and processes in which we undertake our businesses. This paper seeks to give some assurance to Members that the Council will continue to maintain strong internal control both now and going forward, making reference to the specific areas referred to in the NAO guidance

#### **Financial implications**

- 4 There are no immediate direct financial implications arising from this paper although the absence of adequate internal controls can lead to financial loss

#### **Legal Implications**

- 5 There are no specific legal implications

#### **Level of risk**

- 6 Covered within the overall paper

#### **Equalities impact**

- 7 There are no equalities impact

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**Background Papers:** None

