

Agenda

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Audit and Governance Committee

This meeting will be held on:

Date: **Tuesday 24 November 2020**

Time: **6.00 pm**

Place: **Zoom - Remote meeting**

For further information please contact:

Jennifer Thompson, Committee and Members Services Officer, Committee Services Officer

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Committee Membership

Councillors: Membership 7: Quorum 3: substitutes are permitted.

Councillor James Fry (Chair)

Councillor Chewe Munkonge (Vice-Chair)

Councillor Tiago Corais

Councillor Michael Gotch

Councillor Pat Kennedy

Councillor Craig Simmons

Councillor John Tanner

Apologies and notification of substitutes received before the publication are shown under *Apologies for absence* in the agenda. Those sent after publication will be reported at the meeting. Substitutes for the Chair and Vice-chair do not take on these roles.

Agenda

	Pages
1 Apologies for absence and substitutions	
2 Declarations of Interest	
3 Risk Management Report - Quarter 2 November 2020	7 - 18
Report of: the Head of Financial Services	
Purpose of report: to update the Committee on both corporate and service risks as at 30 September 2020.	
Recommendation: that the Committee reviews the risk management report and notes its contents	
4 Investigation Team Annual Report 2019-2020	19 - 32
Report of: the Head of Financial Services	
Purpose of report: to appraise Members of the activity and performance of the Counter Fraud Team for the fiscal year 1 April 2019 to 31 March 2020.	
Recommendation: to discuss and note the report	
5 Internal Audit Progress report - Quarter 2 November 2020	33 - 48
Report of: the internal auditor BDO.	
Purpose of report: to inform the Committee on progress against the 2020/21 audit plan; the assessments of systems reviewed in this quarter; and the Local Government Sector update.	
Recommendation: to discuss and note the report.	
6 Internal Audit Recommendations follow up – Quarter 2 November 2020	49 - 58
Report of: the Internal Auditor BDO	
Purpose of report: to inform the Committee on progress on those recommendations raised by Internal Audit which are due for implementation.	

	Recommendation: to discuss and note the report.	
7	External Audit: Draft Audit results report for the year ending 31 March 2020	59 - 110
	Report of: the external auditor EY	
	Purpose of report: to inform the Committee of outcome of the audit of the accounts.	
	Recommendation: to discuss and note the report.	
8	Statement of accounts for the Year Ending 31 March 2020	111 - 124
	Report of: the Head of Financial Services	
	Purpose of report: to submit the Council's Statement of Accounts and Letter of Representation for approval and authorisation.	
	The Statement of Accounts and supporting documentation are attached as a separate supplement.	
	Recommendations: That the Committee:	
	1. approve the audited 2019/20 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts; and	
	2. approve the Letter of Representation to enable the opinion to be issued.	
9	Minutes of the previous meeting	125 - 130
	To approve as a true and accurate record the minutes of the meeting held on 30 July 2020.	
10	Dates and times of meetings	
	The Committee is scheduled to meet at 6.00pm on the following dates:	
	14 January 2021	
	22 April 2021	
	29 July 2021	
	Meetings will be on Zoom.	

Information for those attending

Recording and reporting on meetings held in public

Members of public and press can record, or report in other ways, the parts of the meeting open to the public. You are not required to indicate in advance but it helps if you notify the Committee Services Officer prior to the meeting so that they can inform the Chair and direct you to the best place to record.

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- To avoid recording members of the public present, even inadvertently, unless they are addressing the meeting.

Please be aware that you may be recorded during your speech and any follow-up. If you are attending please be aware that recording may take place and that you may be inadvertently included in these.

The Chair of the meeting has absolute discretion to suspend or terminate any activities that in his or her opinion are disruptive.

Councillors declaring interests

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest. If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". The matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

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To: Audit and Governance Committee
Date: 24 November 2020
Report of: Head of Financial Services
Title of Report: Risk Management Reporting as at 30 September 2020

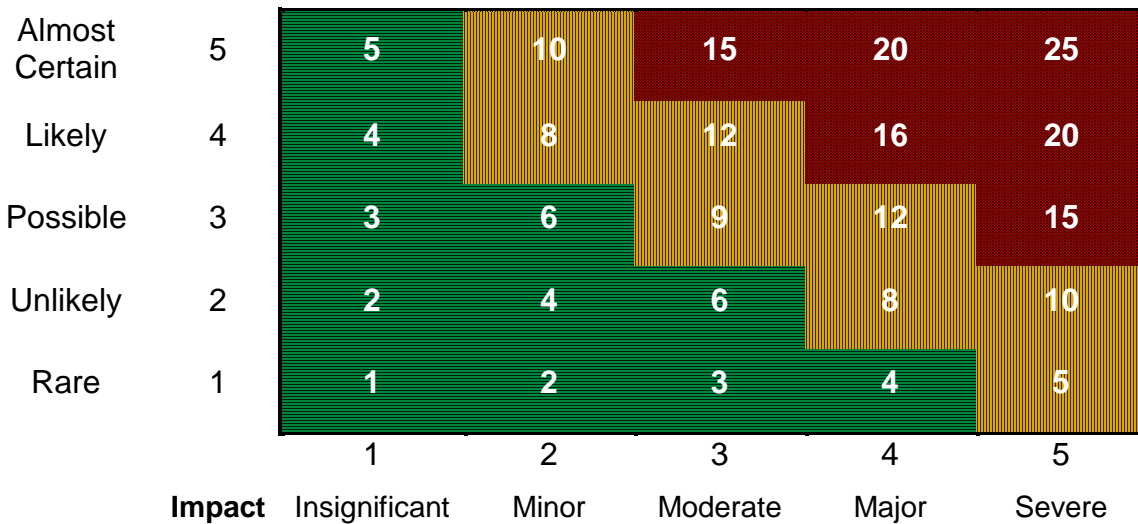
Summary and recommendations	
Purpose of report:	To update the Committee on both corporate and service risks as at 30 September 2020.
Key decision:	No
Cabinet Member with responsibility:	Councillor Ed Turner, Cabinet Member for Finance and Asset Management
Corporate Priority:	
Policy Framework:	
Recommendations: that the Committee reviews the risk management report and notes its contents	

Appendices	
Appendix A	Corporate Risk Register

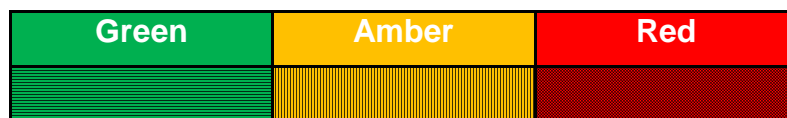
Risk Scoring Matrix

1. The Council operates a 'five by five' scoring matrix based on probability and impact. The methodology for scoring risks is set out below along with a copy of the scoring matrix or 'heat map'.
2. It is possible to get the same score but end up with a different result in the heat map. For example if the probability of an event occurring is high but the impact is low it is likely to have a lower rating on the heat map. However, the higher the potential impact score the more likely the event will be classed as a red risk on the matrix.
3. The risk prioritisation matrix is shown below.

Probability



Key:



Risk Identification

4. **Corporate Risks** – The Corporate Risk Register (CRR) is reviewed by the Corporate Management Team (CMT) on a periodic basis, any new risks are incorporated into a revised version of the CRR. Risk owners of corporate risks are generally Executive Directors.
5. **Service Risks** – Service Area risks are reviewed periodically by Heads of Service and Service Managers. The Financial Accounting Manager has oversight of all risks and on a quarterly basis will review service risks to determine whether they should be considered for inclusion in the Corporate Risk Register.
6. **Project and Programme Risk** – The Council adopts the principles of Prince2 and agile methodologies in addition to recognised industry standards in construction for managing projects. Incorporated within these methodologies is a robust process for the management of risk within a project environment. Each project is managed by the Project Manager who controls and co-ordinates all aspects of the project through to conclusion.

Corporate Risk Register – 30 September 2020

7. The Audit and Governance Committee receives information on risk on a quarterly basis. Given the timing of the Committee the Corporate Risk Register attached at Appendix A is as at 30 September.
8. The number of Red risks remains at three as a result of the continuing challenges surrounding the Covid-19 pandemic.

9. Details of the Red risks are as follows:

- **Housing** – the Council has key priorities around housing which include ensuring housing delivery and supply for the City of Oxford and enabling sufficient house building and investment. Insufficient housing in Oxford leads to an increase in homelessness which has an impact on residents. There are also health and quality of life issues. The Council is implementing delivery methods for temporary accommodation and accommodation for homelessness prevention which include a rent guarantee scheme, a growth deal to facilitate additional affordable housing and a tranche of property purchases to be delivered via real lettings. In addition the Council's housing companies are in the process of constructing new affordable homes and the Cabinet has approved plans which will result in the Council's Housing Revenue Account ("HRA") purchasing the social housing using its new borrowing headroom, following the removal of the HRA borrowing cap by central government. This has become more challenging in the short term due to the Covid-19 pandemic which has paused any delivery in the housing supply.
- **Economic Growth** – this relates to local, national or international factors adversely affecting the economic growth of the City. The economic impact of Covid-19 is continuing to affect the livelihoods and jobs of thousands of people in Oxford. Social distancing and economic uncertainties affect consumption on the High Street and the viability of some retail, hospitality and catering businesses. The wider economy is not immune with redundancies being announced by larger employers in other sectors as well as damaging impacts to education, transport, and property, creative and cultural sectors. Economic output is 11.7% below the February rate nationally and the remainder may not be recovered quickly. Delivery of a City and County wide Economic Recovery & Resilience Plan will align with the Oxford Economic Strategy and City Centre Vision and Action Plan, with consultation drafts published in the Autumn. The latter plans will commence from early 2021. The phased restart which is now complete, will progress to long term recovery and renewal actions over a minimum 3 year period.
- **Balancing & Delivery of the Financial Plan** – this risk has become red due to the adverse financial impacts arising from the covid-19 pandemic and the economic aftermath. The pandemic and the resulting actions necessary to deal with it has led to far reaching economic impacts. Experts believe that the economy will take years to recover. There is therefore considerable financial uncertainty around the current estimates especially around income streams which is compounded by additional expenditure needed to support the community through the crisis. The short term impact can be mitigated through the use of balances, however these are one-off and a full reset of budgets is needed which will be reported to Cabinet in December 2020..

10. No risks have been closed in the period.

11. The table below shows the levels of Red, Amber and Green current risks over the last 12 months.

Current Risk	Q3 2019/20	Q4 2019/20	Q1 2020/21	Q2 2020/21
Red	1	1	3	3
Amber	9	10	8	9
Green	2	1	1	0
Total risks	12	12	12	12

Service Risk Registers

12. Each year as part of the service planning process, all service risks are reviewed, those no longer relevant are deleted, and any new ones are added.
13. The table below shows the number of service risks as at 30 September compared with the last 12 months.

Current Risk	Q3 2019/20	Q4 2019/20	Q1 2020/21	Q2 2020/21
Red	3	4	6	4
Amber	35	30	34	36
Green	9	13	11	10
Total risks	47	47	51	50
New risks in quarter	0	0	4	1
Closed	0	0	0	2

14. The number of Red risks has reduced to four. Two former red risks, Community Cohesion and also the delay in respect of the Go Live of QL have been reduced to Amber.

15. Details of the Red risks are as follows:-

- **Community Services** - this relates to the non-achievement of Town Hall income targets. Due to the Covid-19 pandemic, the minimum income shortfall will be £685k. The Town Hall is now open for certain events working alongside latest Government guidance.
- **Financial Services** – this relates to Management effectiveness and employee ability to deliver services due to the Covid-19 pandemic. This has increased workloads and the volume of emails, which together with the many on-line meetings is placing excessive pressure and demands on staff and managers.

- **Regulatory Services** – this relates to Public Health Protection. The rise in Covid-19 cases in Oxford has caused concern. The response has been to increase proactive work including holding regular meetings with the Department of Public Health and developing a Covid Secure Team.
- **Housing Services** – this relates to increased homelessness costs which has been additionally impacted due to the Covid-19 crisis.

Business Continuity

16. The Council continues to respond to the COVID-19 pandemic in compliance with Government guidelines. All offices remain closed with most staff continuing to work from home and all work which couldn't be carried out within Government guidelines has ceased. The locality hubs continue to support vulnerable people and accommodation has been made available for all rough sleepers. Information Technology systems are currently coping with the change in demands; bandwidth on the Council's VPN was increased to assist with the increased electronic traffic, although there are still some signs of strain on the capacity at peak times. Different services have had different pressures and needed to manage all of the challenges in a way that was appropriate to that service.
17. The Council's Corporate Business Continuity plan anticipated that if the main Council offices were not available, then alternative accommodation would be needed for office based staff. Due to the nature of the pandemic, the use of alternative corporate accommodation was not possible and in the event it was proved that this accommodation wasn't needed. The Council's Corporate and Service Business Continuity plans are currently being updated in line with the findings from recent events. Additionally, as a result of the almost universal working remotely, the Council is reviewing its business model and the need for office space now and in the future. A remote working task and finish working group has been set up to review working practices and accommodation requirements going forward.
18. The Council's plans for Restart, Recovery and Renewal as reported to Cabinet on 24 June will be an ongoing process that helps anticipate, prepare in the event of a second spike, response to and recovery from the impact of COVID-19. The Services will continue to deliver and develop effective processes to help mitigate risks to the smooth running and delivery of services, ensuring they can best continue to operate to the extent required in the event of COVID-19 and beyond. These are likely to include:
 - Task and finish groups
 - Identifying alternative strategies to mitigate further loss and assessing their potential effectiveness in maintaining ability to deliver critical and new - some unknown – service functions
 - Contract variations
 - New ways of working
 - Staff well-being and resilience
 - Service transformation (i.e. using skills and learning to create new structure)
 - Budget review and re-prioritisation
 - Generating new revenue

- Shielding the most vulnerable
- Healthy Place Shaping
- Strengthening and creating new partners
- Transforming the service business plan to help address new challenges and changing needs.

Climate Change/Environmental Impact

19. There are no specific impacts arising directly from this report

Equalities Impact

20. There are no equalities impacts arising directly from this report.

Financial Implications

21. There are no financial implications arising directly from this report.

Legal Implications

22. There are no legal implications directly relevant to this report but having proper arrangements to manage risk throughout the organisation is an important component of good corporate governance and good business management. There are some legal issues that may arise going forward in the business continuity process but these will be managed on a case by case basis.

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List of background papers: None.

**Formal Risk Summary
(Oxford)
As at: Sep-2020**

Ref	Title	Risk description	Opp/ threat	Risk			Date Raised	Owner	Gross		Current		Target		Comments	Controls				
				Cause	Consequence				I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
CRR-031-18-19	Economic Growth	Local, national or international factors adversely affect the economic growth of the City	T	The economic impact of COVID-19 globally, nationally and locally continues to affect the livelihoods and jobs of thousands of local people in Oxford. The best case scenario is that the local economy undergoes a short sharp shock and then bounces back quickly. There has been a partial bounce back as the re-opening of consumer sectors under constrained circumstances has taken the local economy into a 'semi-normal' phase of economic recovery. However considerable restrictions, to be in place until Spring 2021, on groups, social distancing, opening hours and recommended home working means that much service, leisure, retail and hospitality activity will remain subdued and constrained. Grants and rent reliefs may be more limited as may the next stage of support for furloughed workers. This poses an ongoing risk to businesses, employment, and commercial property markets in the coming months. Moreover, the uncertainty over terms and impact of exit from the EU and Single Market in January 2021, may result in the termination or suspension of investment decisions. This is a near-term and ongoing risk to competitiveness and growth in Oxford and the UK more widely. It will affect a range of sectors relying on trade with, collaboration or labour and talent from Europe and other international markets	This accelerates structural changes and economic uncertainties that were already affecting consumption on the High Street and in turn affecting the viability of some retail, hospitality and catering businesses. The wider economy is not immune with redundancies being announced at larger employers in other sectors as well as damaging impacts to education, transport, property, creative and cultural sectors. Economic output is 11.7% below the February rate nationally and the remainder may not be recovered quickly. Uncertainty and loss of market access may result in increased cost of trade with EU leading to adverse local macro-economic & operating conditions resulting in reduced economic growth for the city, a weaker local economy, hampering our ability to raise revenue through business rates as well as significant job losses. Loss of funding for key economic & research programmes and well as reduced FDI flows. Uncertainty about future visa requirements for EU workers and visitors may reduce labour supply as well as tourist flows limiting growth prospects of key economic sectors in the city. In the city centre, the structural changes being experienced, also carries a risk of higher than usual job losses and closures, vacancies in retail and restaurant uses.	1-Jun-2018	Matthew Peachey	5	4	5	5	4	4	Delivery of an ongoing a City & County wide Economic Recovery & Resilience Plan. In the next few months this will align with the Oxford Economic Strategy and City Centre Vision and Action Plan, with consultation drafts published in Autumn. The latter plans will commence from early 2021, as part of the overall long-term approach to recovery, building on our economic strengths and specific local needs. The phased restart (now complete), will progress to long term recovery & renewal actions over a minimum 3 year period. We continue to work with Employers & Economic Growth Board to understand emerging impact of Brexit.	Deliver a City & County wide Economic Recovery & Resilience Plan. This will be a phased restart through to long term recovery & renewal over a minimum 3 year period. Continue to work with Employers & Growth Board to understand emerging impact of Brexit.	1-Apr-2023	In Progress	30%	Matthew Peachey	
13	Balancing and Delivery of the Financial Plan	Unable to balance the Medium Term Financial Plan and hence deliver the Council's Corporate Plan priorities	T	Reduced contribution from Council companies; Business Rates reform; Local Government finance reform; Unachievable savings and income; Adverse financial impacts arising from the covid 19 pandemic and the economic aftermath	Increased use of balances to ensure that Council sets a balanced budget for next 4 years.Re-active action taken to bring budget back into line	1-Jun-2018	Nigel Kennedy	4	3	4	4	4	3	Ensure companies are on schedule to deliver returns to Council	31-Mar-2021	In Progress	50%	Nigel Kennedy		
														Expenditure Restraint	31-Mar-2021	In Progress	40%	Nigel Kennedy		
														Keep abreast of changes	31-Mar-2021	In Progress	30%	Nigel Kennedy		
														Lobby Government	31-Mar-2021	In Progress	80%	Nigel Kennedy		
														Regular monitoring of revenue and capital	31-Mar-2021	In Progress	40%	Nigel Kennedy		
Start budget setting early and drive savings in	31-Mar-2021	In Progress	40%	Nigel Kennedy																
CRR-033-18-19	Housing	Failure to deliver the Council's key priorities around Housing including ensuring increased housing delivery and enabling sufficient affordable house building and investment,	T	Changes to Homes & Communities Agency's funding stream for housing development. Government policy changes affecting housing tenure, rental levels, LA borrowing ability. Economic recession, leading to instability in the housing market, and falling prices which could undermine site viability. Shortage of labour and materials. Current Covid outbreak has delayed starts and slowed work because of social distancing, and may lead to challenges around site viability with a risk to market sales.	Insufficient housing in City Increase in homelessness Impact on residents Health and quality of life issues Adverse publicity Reputation Risk Perception of unfairness reinforces tensions around immigration	1-Jun-2018	Stephen Clarke	5	4	5	4	4	3	Continue to take forward opportunities to purchase S106 dwellings through the HRA.	31-Mar-2021	In Progress	25%	Dave Scholes		
														Continuing to work with Registered Provider partners to enable supply of more affordable housing through s.106	31-Mar-2021	In Progress	75%	Dave Scholes		
														Deliver OCHL business plan to increase scale and speed of delivery.	31-Mar-2021	In Progress	20%	Stephen Clarke		
														Delivery of regeneration schemes, including Blackbird Leys.	31-Mar-2023	In Progress	20%	Stephen Clarke		
														Housing delivery test in Planning ongoing. Deliver the housing delivery test action plan in Planning.	31-Mar-2021	Completed	100%	Carolyn Ploszynski		

Formal Risk Summary
(Oxford)
As at: Sep-2020

Ref	Title	Risk description	Opp/ threat	Risk		Date Raised	Owner	Gross		Current		Target		Comments	Controls				
				Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
															Implement robust programme and project management arrangements for whole supply programme.	31-Mar-2021	In Progress	80%	Dave Scholes
															Maximise access to alternative funding programmes - Homes for England, HIF and Housing Growth fund	31-Mar-2021	In Progress	50%	Dave Scholes
															Provide a clear and robust response to the governments planning changes through the consultation, changes which would significantly reduce S106 contributions in the city.	31-Oct-2020	Completed	100%	Carolyn Ploszynski
															Purchase of Council dwellings from Barton Park development.	31-Mar-2025	In Progress	20%	Stephen Clarke
															Reevaluate financial appraisals of development sites and make any adjustment to ensure continued viability.	31-Mar-2021	In Progress	20%	Stephen Clarke
CRR-034-18-19	Recruitment and retention of the workforce	The challenge of recruitment and retention in some service areas, and ensuring succession planning exists for critical hard to fill roles.	T	<ul style="list-style-type: none"> Proximity to London High cost of housing Congested infrastructure and transport links 	Reduced capacity to deliver, especially in high profile projects	1-Jun-2018	Helen Bishop	3	4	3	3	2	2		Develop and implement improved recruitment processes [incl. use of social media, 'staff stories' and other promotional material]	31-Mar-2021	In Progress	25%	Justin Thorne
															Develop employer brand	31-Mar-2021	In Progress	25%	Justin Thorne
															Develop greater understanding of reasons for staff leaving and obtain insight into their 'work experience' whilst at council	31-Mar-2021	In Progress	40%	Justin Thorne
															Development of 'talent pipeline' including work experience, apprenticeships, graduate placement, sponsoring students through qualification, etc.	31-Mar-2021	In Progress	40%	Justin Thorne
															Review of employment offer for hard to fill and specialist roles [pay, flexible working practices, employee benefits]	31-Mar-2021	In Progress	40%	Justin Thorne
CRR-036-18-19	Resilience of Trading Models	The Council Companies are not successful and fail to deliver outputs and financial returns	T	<ul style="list-style-type: none"> Lack of skilled direction from Directors; Lack of capacity Lack of commercial focus Shortfalls in income forecasts Deficiencies in governance Housing Company sites not delivered to planned timescales Directors not recognising the control that a holding organisation properly has over their operations and outputs 	<ul style="list-style-type: none"> Reputational damage of failing companies Reduced financial returns to the Council impacting on MTFP Lack of delivery of dividends to the Council 	1-Jun-2018	Nigel Kennedy	4	3	4	3	3	3		Delivery of Improved systems	31-Mar-2021	In Progress	50%	Nigel Kennedy
															Establish robust system of shareholder and scrutiny meetings for wholly owned companies	31-Mar-2021	In Progress	75%	Anita J. Bradley
															Governance over all joint ventures and companies	31-Mar-2021	In Progress	50%	Nigel Kennedy
															Internal audit of companies review by BDO - second review due December 2020	31-Mar-2021	Not Started	0%	Nigel Kennedy
															Presentation of updated business plan on a quarterly basis to shareholder - OCHL	31-Mar-2021	In Progress	80%	Nigel Kennedy
															Presentation of updated business plan on a quarterly basis to shareholder - ODS	31-Mar-2021	In Progress	80%	Nigel Kennedy
															Reporting to shareholder for Barton	31-Mar-2021	Ongoing	100%	Nigel Kennedy
															Reporting to shareholder for Oxwtd	31-Mar-2021	Ongoing	100%	Nigel Kennedy
															Review dividend policy - OCHL	31-Mar-2021	In Progress	10%	Nigel Kennedy
															Strategic Review of OCHL	31-Mar-2021	In Progress	50%	Nigel Kennedy

Formal Risk Summary
(Oxford)
As at: Sep-2020

15

Ref	Title	Risk description	Risk			Date Raised	Owner	Severity				Comments	Controls						
			Opp/ threat	Cause	Consequence			Gross		Current			Target		Control description	Due date	Status	Progress	Action Owner
								I	P	I	P		I	P					
CRR-037-18-19	Local Government Reorganisation	Risk that the reorganisation or devolution is imposed to the detriment of the Council and the City	T	The 2017 bid for an Oxfordshire-wide unitary authority has sat dormant since Government made clear it has no appetite to pursue this while Growth Board partners deliver the Growth Deal. However, the new Prime Minister and Cabinet, with ministerial changes in MHCLG, creates uncertainty over the Government's policy position on unitaries going forwards. There is also new uncertainty around the Growth Deal, given the uncertainty over the status of South Oxfordshire District Council's Local Plan	If debate is reopened: Significant distraction of resources and focus into making City's case in argument Significant disruption to partnership working and loss of opportunities for significant infrastructure investment - Risk of weakened focus on Oxford's priorities in a single Unitary - Potential negative impact on community through loss of local accountability for investment and services Adverse impact on resourcing Adverse impact on the growth deal and partnership working	1-Jun-2018	Caroline Green	5	3	4	3	4	3	County and Cherwell published PWC report backing single unitary. City Council and other districts publicly opposed. Government White Paper and meeting with Minister due soon after which probability rating may be updated.	Update and improve ODS Operating Model	31-Mar-2021	In Progress	30%	Nigel Kennedy
CRR-038-18-19	Business Continuity Planning and Disaster Recovery including ICT Recovery Plan	There is an adverse impact on continuous business operation due to unplanned events.	T	<ul style="list-style-type: none"> Disruptive event hindering access to building. Disruptive event affecting full functionality of building. Major technology incident (physical or cyber). 	Non-delivery of business operation	1-Jun-2018	Helen Bishop	3	3	3	3	3	2	<ul style="list-style-type: none"> All Services to review and sign-off their BC plans to ensure up-to-date. Assure ICT backup and restore capabilities CMT to approve software priority restoration list from all Services BC plans. Desktop review of BCP Implement alternative software to CITRIX to allow homeworking for own user devices Include ICT systems outages in business continuity plan tests. Re-establish Risk Management Group Review existing ICT recovery plan to ensure up-to-date. 	31-Mar-2021	Ongoing	100%	Bill Lewis	
CRR-039-18-19	Delivery of Services by External Suppliers/Partnerships / Supply Chain	The negative performance of suppliers has a direct impact on the Councils ability to achieve its goals	T	Failure of key supplier (i.e. Fusion) or reductions in funding and/or financial pressures on the councils critical service partners may place additional burdens /demands on the council and poorer services/outcomes for citizens and potential risks to our supply chain.	Lack of coordinated response or weak relationships with partners leads to withdrawal of services, increasing the burden on City Council services and poorer outcomes for communities.	1-Jun-2018	Ian Brooke	3	3	3	3	3	3	The unprecedented COVID-19 scenario means that leisure facilities were temporarily closed on 20 Mar 2020. Our leisure provider continues at this time to complete statutory and compliance inspections and facility checks. Ferry Leisure Centre – Reopened for dry activities on Monday 3 August, wet activities on Friday 21 August & Fusion swim school restarted 21 September. All on a reduced timetable. Hinksey Outdoor Pool closed for the 2020 season. 2021 season due to start in April. Barton Leisure Centre & Oxford Ice Risk remain closed until a safe, viable & sustainable offer can be identified.	Work collectively and coherently with key partners to find solutions. Effective relationship management across partners will help to manage risks around service delivery and reputational risk.	31-Mar-2021	In Progress	60%	Ian Brooke
CRR-040-18-19	Negative Impacts of Climate Change	Climate Change leads to a number of adverse social, health and environmental impacts on the City	T	Oxford is prone to flood risk from fluvial or river sources (Cherwell and Thames/Isis) and in specific areas to pluvial or surface flooding from heavy rainfall. For fluvial flooding heavy rainfall upstream normally gives Oxford between 24-48 hours to prepare and respond with flood protection. There is no warning for pluvial flooding.	Flooding, which is highly weather dependent; poor air quality and increased episodes of excess heat.	1-Jun-2018	Jo Colwell	4	3	3	3	3	2	Control measures relating to advocacy, clear communication, negotiation over our land assets, in particular at Seacourt and Redbridge Park and Ride sites (Seacourt extension/Redbridge as location for recycling transfer station)	30-Dec-2022	Ongoing	100%	Jo Colwell	

Formal Risk Summary
(Oxford)
As at: Sep-2020

16

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Target		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner
														Partnership with the EA led programme to deliver the Oxford Flood Alleviation Scheme	31-Mar-2022	Ongoing	50%	Jo Colwell	
														Reputational risk is shared across partners.	31-Mar-2021	Ongoing	100%	Jo Colwell	
CRR-042-18-19	Terrorism	Terrorist incident in the city (most likely in the city centre) that adversely affects normal life in the city, including a negative impact on the Council's business, or targets an individual event (e.g. May Morning, St Giles' Fair, events in South Park)	T	Oxford is an internationally known city and is a more likely target than cities and towns of a similar size. There are several areas where large numbers of people congregate - primary shopping areas and tourist attractions, transport hubs - that may be conducive and prone to attack	Dependent on nature of attack and where it occurs. Could result in lock down of buildings, including Council offices, severe travel disruption, need to disperse large numbers of people (to places of safety). Non-delivery of Council services	1-Jun-2018	Tim Sadler	5	2	5	2	5	2	Council's emergency plan includes link to Crowded Spaces Evacuation Plan	31-Mar-2021	Ongoing	100%	Mike Newman	
														Emergency plans for Council-operated buildings include dealing with a terrorist attack, (including building lock-down procedure)	31-Mar-2021	Ongoing	100%	Mike Newman	
														Event plans include dealing with a terrorist attack, (including evacuation procedure)	31-Mar-2021	Ongoing	100%	Mike Newman	
														Physical barriers in place - temporary and permanent	31-Mar-2021	Ongoing	100%	Mike Newman	
														Respond to intelligence received	31-Mar-2021	Ongoing	100%	Mike Newman	
														Work with partners, particularly the Police and County Council, on mitigation measures	31-Mar-2021	In Progress	50%	Tim Sadler	
CRR-043-18-19	Cyber Attack	Cyber security incident which impedes the operation of the business	T	Global attack from outside the business Internal hacker	Non-delivery of business operation	1-Jun-2018	Helen Bishop	3	4	3	3	3	2	Carry out PSN remedial work.	31-Mar-2021	Ongoing	100%	Rocco Labellarte	
														Ensure any security breaches are dealt with appropriately, in line with policies.	31-Mar-2021	Ongoing	100%	Helen Bishop	
														Ensure cyber defences (firewalls, anti-virus, anti-malware, password protection, two-factor authentication) is in place	31-Mar-2021	Ongoing	100%	Rocco Labellarte	
														Ensure cyber security policies are in place.	31-Mar-2021	Ongoing	100%	Rocco Labellarte	
														Ensure PSN accreditation is achievable. Allocate funding as necessary to ensure remedial work can be delivered.	31-Mar-2021	In Progress	40%	Nigel Kennedy	
CRR-044-18-19	Health and Safety - Buildings	Failure to comply with the various H&S legislative requirements which ensure the safety of buildings	T	Inadequate training, poor systems and procedures, failure to robustly monitor performance and address this, Inadequate resourcing and skills, Inadequate maintenance of buildings	Corporate manslaughter. HSE investigation and substantial fines. Loss of reputation	1-Jun-2018	Stephen Clarke	4	4	4	3	3	2	Continued progress with tower blocks, ensuring remaining planned work is complete, including at Hockmore, and continued monitoring to identify and implement any further improvements needed.	31-Mar-2021	In Progress	70%	Stephen Clarke	
														Following CDM audit, implement revised and strengthened governance arrangements.	31-Mar-2021	In Progress	50%	Nick Brown	
														Health & Safety team have been allocated key areas of responsibilities and are progressing the areas highlighted from FRA and Asbestos surveys are rectified to ensure OCC are fully compliant.	31-Mar-2021	In Progress	70%	Stephen Clarke	
														Ongoing monitoring and surveillance of property to ensure compliance.	31-Mar-2021	In Progress	50%	Stephen Clarke	

**Formal Risk Summary
(Oxford)**
As at: Sep-2020

Ref	Title	Risk description	Risk			Date Raised	Owner	Gross		Current		Target		Comments	Controls				
			Opp/ threat	Cause	Consequence			I	P	I	P	I	P		Control description	Due date	Status	Progress	Action Owner

Current Risk Score

This is the risk score at the time that the risk is reviewed. When the risk is first identified it will be the same as the gross risk score. The current risk score is tracked to ensure that progress is being made to manage the risk and reduce the Council's exposure.

Residual Risk Score

This is the risk score after mitigating actions have taken place. The residual risk score shows how effective your action plans are at managing the risk.

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To: Audit and Governance Committee
Date: 24 November 2020
Report of: Head of Financial Services
Title of Report: Investigation Team Annual Report 2019-2020

Summary and recommendations	
Purpose of report:	To appraise Members of the activity and performance of the Counter Fraud Team for the fiscal year 1 April 2019 to 31 March 2020.
Key decision:	No
Cabinet Member with responsibility:	Councillor Ed Turner, Cabinet Member for Finance and Asset Management
Corporate Priority:	
Policy Framework:	
Recommendations: the Committee is recommended to note the report	

Appendices	
Appendix 1	Internal Investigations – Exempt from publication
Appendix 2	Business Grants Counter Fraud Activity
Appendix 3	Counter Fraud Team Headline Risk Matrix

Introduction and background

1. The remit of the Counter Fraud Team (the Team) is to tackle fraud and irregularity across the Council, aligned to the services' fraud risks and the priorities as identified in the Council's own Organisational Fraud Risk Assessment 2019, as well as by the previous Audit Commission and also CIPFA's Fighting Fraud and Corruption Locally Strategy (FFCL) 2016-2019.
2. The aims and objectives of the Team are to provide high quality professional corporate fraud investigation services to the Council to prevent and detect fraud and error within the Council and also to partner organisations on a commercial basis, and to assist cross border agencies where possible. Through this activity, financial losses are prevented, additional revenue is identified for recovery, and income is secured through supply of services.

Performance 2019/20

3. For 2019/20, there are four Service Performance Indicators used to track performance on a monthly basis. The team were responsible for achieving fraud prevention, detection and identification values in excess of £4.7m in the period. Performance against these targets is shown in the table below.

Table 1 - Investigations Team Performance from 01 April 2019 to 31 March 2021			
Measure	Annual Target	Total Achieved	Comment
Number of social housing properties recovered and applications for housing stopped	22	22	Target Achieved Made up of 8 social housing properties recovered and 14 fraudulent or irregular applications stopped
Achieve cost neutrality from identification of revenue through investigation activity	£550,000	£840,131	See Table 2 for breakdown
Prevent financial losses to the Council through investigation activity	£2,000,000	£3,504,642	See Table 2 for breakdown-175% of target achieved
Right to Buy Applications prevented (false or irregular)	20% of applications received	35%	32 applications prevented of 92 received in the period
Trading Income from commercial activity	£150,000	£360,918	240% of annual target achieved.

4. Table 2 below provides a breakdown of the income recovered or generated, and losses prevented by the Team.

Table 2 – Income generated and losses prevented from 01 April 2019 to 31 March 2020			
	Income Generated	Loss Avoidance	Comment
	£	£	
Council Tax Reduction Scheme	66,315	42,819	The loss avoided is based on the revised Oxford model calculation of 104 weeks future entitlement.
Housing Benefit	216,655	71,723	Although no longer tasked with investigating Housing Benefit, these values are the by-product of tenancy fraud and Council Tax Reduction Scheme

Table 2 – Income generated and losses prevented from 01 April 2019 to 31 March 2020			
	Income Generated	Loss Avoidance	Comment
			investigations. 104 week future entitlement model used for loss avoidance
Right to Buy		2,649,600	32 Right To Buy applications prevented (37% of all applications received) following intervention / investigation. 32 x £82,800 (max discount)
Council Tax Discount / Exemption adjustments	427,548		Achieved through reactive investigation casework and rolling review of Single Person Discount accounts to identify presence of undeclared resident adults
Non Domestic Rates	124,394		Where investigation & data matching resulted in the discovery of unregistered business premises and identification of exemptions or discounts where no entitlement exists
Properties Recovered		192,000	The cost of keeping a family in temporary accommodation for one year calculated using the Oxford model (£24k x 8 properties)
Housing Applications		336,000	14 General Register Housing Applications stopped through investigation activity preventing temporary accommodation costs or property allocation - £24,000 per instance
Unlawful Profit Order Award	5,219		Court ordered award from prosecution of social housing sub-letting offences
Environmental Quality Grant Fraud		212,500	Investigation Team intervention of an attempted fraud to misdirect grant funding (see point 10 below)
	£	£	£
Totals	840,131	3,504,642	4,344,773
Trading income from commercial activity	360,918	-	360,918
Total income and fraud loss avoidance	1,201,049	3,504,642	4,705,691

5. In mid-2019, submissions were made to the Institute of Revenues, Ratings and Valuations (IRRV) for consideration in their Performance Awards scheme. The Team were shortlisted as Finalists in all four categories entered, which were:
 - Excellence in Counter Fraud
 - Excellence in Partnership Working
 - Excellence in Staff Development
 - Excellence in Innovation (Performance Management)

The Team received the Highly Commended award for “Excellence in Counter Fraud.

6. This was the fourth consecutive year that the Team has been recognised for excellence, having previously won awards for Excellence in Corporate Fraud in 2016, Excellence in Innovation in 2017 and Excellence in Counter Fraud in 2018.
7. The Team hosted its fourth annual fraud conference in September 2019 at Oxford Town Hall. The aim of the event, which was free to attend, was to help raise awareness of fraud trends and emerging risks to attending organisations, and raise awareness of the services that the Investigations Team can offer. The team is known to other organisations in a commercial capacity as the Oxford Investigation Service.
8. The event was the best attended since the team staged its first conference in 2016. Over 220 were present and the event was full to capacity. Such was the popularity of the event, demand from organisations for a presence at the trade stand exhibition outweighed space available.
9. The event has remained a free-to-attend conference for delegates with the costs not only being entirely covered through exhibitor charging, but deriving a surplus which will be used to fund future counter fraud initiatives.
10. Based on the ongoing success of the conference, the overwhelming positive feedback received and the reputation of the event as essential-to-attend for those in the profession, as well as the forming of new business relationships with partner organisations, the team committed to hosting the event annually with the next date set as 12 November 2020. Given the Covid19 pandemic and associated restrictions, the 2020 event will be a virtual conference, hosted entirely online.

Internal Investigations

11. **Appendix 1** details staff investigations involving the Counter-Fraud team in the period.
12. An investigation was conducted into a suspicious e-mail received from a supplier, requesting that the Environmental Quality Team pay £212,500 of grant funding into a different bank to that already on record. The e-mail looked authentic and ICT confirmed that it originated from the supplier.
13. Further investigation with the supplier uncovered a company-wide data breach of a partner company of the supplier which is how fraudsters had intercepted e-mails between Oxford City Council and the supplier, which were then replicated.
14. Thanks to prompt action of the Environmental Quality Team and the Counter-Fraud Team, a significant loss to the authority was avoided. A number of

recommendations were made to help safeguard the authority from further attempts of this type.

15. A further notable bank mandate fraud attempt was thwarted by the team in the period. In May 2019, a fraudster made contact with the Payroll team, purporting to be a newly recruited Executive Director, requesting salary to be paid to an alternative bank account. After investigation, there were found to be issues with the on-boarding process of a specific bank which led to this attempt.

Commercial Activity

16. Fraud Hub working arrangements remain in place with services being contractually provided to multiple partner organisations in the public sector. Business development activity is embedded as part of the team culture and efforts to bring new partners on board continued through the year.
17. The team is known as The Oxford Investigation Service and has a brochure, dedicated website and promotional materials to assist the objective of business development. The website can be found at www.oxfordinvestigationsservice.co.uk
18. Promotional activity, in addition to the Oxford Open Day event, includes speaking slots at relevant conferences, mailshots, meetings with prospective clients and attending conferences as exhibitors with a dedicated trade stand.
19. The increasing number of successful projects and activities delivered for Oxford City Council has assisted in developing a range of services that can be offered to partner organisations and prospective clients. For each marketable service, pricing options are developed with the assistance of Financial Services Accountants to ensure compliance with financial regulations, ethical trading, and financial feasibility.

Partnership Working

20. The Team provided Counter-Fraud and Investigation services to multiple client organisations in the public sector during the financial year, the result of which delivered an end-of-year trading income of over £360,000. In the period, the Team has provided either products and / or services to the following 26 organisations:

- Altia Solutions
- Appen
- Basingstoke and Deane Borough Council
- Bracknell Forest Council
- Cherwell District Council
- CIFAS
- Destin Solutions Ltd
- Equifax
- Fiscal Technologies
- Greensquare
- HooYu
- Intec for Business

- ITS Training
 - London Councils
 - Oxfordshire County Council Audit Team
 - Oxfordshire County Council Blue Badge Team
 - Peter Darby Associates
 - Red Kite Housing Association
 - Riverside Housing Association
 - Slough Borough Council
 - South Northamptonshire Council
 - South Oxfordshire District Council
 - Trust ID
 - Vale of White Horse District Council
 - Wandle Housing
 - Warwick District Council
21. In the process of delivering Counter Fraud services to partner organisations, the Oxford Investigation Service have identified fraud and financial irregularity to the value of £1.2m during the financial year, made up of £778k in additional revenue and £414k in prevented fraud losses. In addition, a full suite of services were delivered externally including training, fraud risk assessments, quality assurance, consultancy, empty property reviews, tenancy audits, intelligence and due diligence provision.
 22. The Team have been the sole provider of Counter Fraud services to Warwick District Council (WDC) since February 2017. After the initial 12 month contract concluded, WDC again commissioned the Oxford Investigation Service under a new 3 year contract, commencing April 2018, to provide the capability over a longer term arrangement. This arrangement continues through to the end of March 2021 when ongoing arrangements will be subject to review.
 23. In 2018, the Team was commissioned to become the sole provider of Counter Fraud services for Cherwell District Council (CDC) and South Northants Councils (SNC). The partnership working arrangements between the authorities dissolved in mid-2019 but the supply of counter-fraud services continued through to July 2020. After this point, separate agreements were put in place for both authorities for ongoing service supply into 2021.
 24. In late 2019, the Team formulated a new partnership working arrangement with Reigate and Banstead Borough Council (RBBC). This evolved after the Counter Fraud Team of RBBC won the IRRV's Excellence in Counter Fraud Award 2019. Pooling resources, experience and expertise with another award winning team further enhances the capability, resilience and geographical reach of the Oxford Investigation Service.
 25. In early March, fraud officers from the Oxford Investigation Service joined forces with officers from RBBC to conduct a proactive tenancy audit exercise in Thanet, Kent. 200 visits to social housing properties were conducted over 4 days as part of

an initiative to prevent and detect tenancy fraud on behalf of an Oxford City Council client Housing Association partner. The exercise ran effectively and successfully with high level assurance reported to the Housing Association, along with a number of addresses where tenancy fraud was suspected.

26. The Housing Association were to issue notices against these properties but then the national Covid lockdown occurred, which prevented further action being taken. As restrictions are eased, work will resume against the questionable tenancies. A number of successful joint exercises have taken place since the new partnership with RBBC launched and more are planned for 2020-2021.

Covid-19 Pandemic

27. In response to the restrictions that came about in March 2020, the team moved to a working from home model. The Team continued to work successfully, albeit with fresh challenges to overcome. Elements of the Team's function require physical interaction with customers eg interviews under caution and visits to residential premises.
28. These activities ceased but some aspects have gradually and tentatively been reintroduced, with the necessary precautions taken to minimise risks to staff and customers.
29. One member of the team was seconded to work in the Locality Hubs full- time and another assisted one day per week with driving for food parcel deliveries. Both officers have since fully returned to the team.
30. In the early stages of the pandemic, the government introduced a series of financial assistance measures to support businesses that were required to close as part of lockdown restrictions. Two grant funding schemes were launched with pressure on Local Authorities to pay quickly. There was no guidance on mitigation of fraud and error so it was decided that the Council should take a robust approach in ensuring that funds were not being fraudulently obtained. This activity required a significant realignment of resources but it was delivered successfully, in partnership with the Revenues team. A detailed synopsis of the activity is attached at **Appendix 2**

Legal Implications

31. The continuing work of the Investigation Team, coupled with the Council's Avoiding Bribery, Fraud and Corruption, Whistle Blowing and Money Laundering policies and procedures give assurance that the Authority is compliant with the Bribery Act 2010, the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002. Failure to adhere to the Policies would impact on the legal and reputational risk to the Council.
32. All data sharing, both internally and externally, is covered by Data Sharing Protocols and Agreements, and is conducted in the interests of prevention and detection of fraud, crime and other financial irregularity, in accordance with the provisions and exemptions of the European General Data Protection Regulation and the Data Protection Act 2018.
33. All contractual agreements devised for joint working with other organisations have been reviewed and approved by Legal Services.

The Council has relied upon its powers under the Section 1 of the Local Authorities (Goods and Services) Act 1970 (the "1970 Act") to provide services to other local

authorities and public bodies. The 1970 Act enables local authorities to supply goods and services (subject to certain restrictions) to other local authorities and to public bodies. “*Public body*” means a person or description of persons appearing to the Secretary of State to be exercising functions of a public nature.

Financial Implications

34. The team continues to prevent and detect fraud and financial irregularity, first and foremost, for Oxford City Council. Engaging in a number of innovative, proactive initiatives has ensured the continued delivery of a robust counter fraud service. The value of prevented fraud losses, additional revenue identified as well as income from external trading was over £4.7m in the financial year 2019-2020
35. The gross cost of running the team for 2019-2020 was £514,757.

Environmental Implications

36. All staff are conscious of the environmental implications of service delivery and will always seek the lowest impact route where possible. This will include journey sharing where feasible, remote working to reduce number of journeys taken, reducing use of paper and sourcing products and materials from sustainable origins.

Risk Implications

37. Team specific risks are managed through periodic assessments and are mitigated accordingly with appropriate response and control measures. **Appendix 3** sets out headline risks facing the Team in the current climate.

Report author	Scott Warner
Job title	Counter Fraud Manager
Service area or department	Financial Services
Telephone	01865 252158
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Overview of the Schemes

In response to the negative impact the Covid-19 pandemic had on the economy, a series of financial assistance measures, aimed at supporting businesses, were announced by the Government. The main assistance measures took the form of two grant funding schemes (that were to be administered by the Local Billing Authority): The Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund (March 2020), and The Local Authority Discretionary Grant Fund (May 2020).

The Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund – *The Mandatory Scheme*

- Funding was to be given to businesses who were in active occupation of a rated hereditament and were active as of the 11th March 2020.
- Eligible small businesses, defined as those eligible for relief under the business rate Small Business Rate Relief Scheme (SBRR), were to receive a £10,000 grant.
- Eligible businesses classified as being part of the retail, hospitality or leisure sector would receive funding in relation to their Rateable Value (RV); businesses with a RV up to and including £15,000 would receive a £10,000 grant, and businesses with a RV of £15,000.01 - £50,999 would receive a £25K grant.

The Local Authority Discretionary Grant Fund - *The Discretionary Scheme*

- Funding was to be given to businesses that were not entitled to funding under other grant schemes. The Discretionary Scheme was designed to help businesses who occupy shared work spaces, market traders, charities, or have a council tax assessment rather than a Non-Domestic Rates assessment. Businesses were eligible if there were active as of the 11th March 2020, and all other criteria were set by the respective Local Authority.
- Funding was capped at £25K, and the exact amount to be given was discretionary.

Fraud Risk Mitigation

Once the schemes were announced the Investigation Team began reviewing the guidance to produce a Fraud Risk Assessment. To mitigate the identified risks, and prevent fraud loss and error, the team developed a Due Diligence procedure utilising trusted third party resources. The Government provided little guidance on how to mitigate fraud and as a result, there were differing methods used by Local Authorities in terms

of preventative action. It was agreed that OCC would take a robust approach to counter-fraud measures as the funds were limited and there was no guarantee that the Government would agree to refund LAs for funds fraudulently obtained.

The Investigation Team worked with the administrators of the schemes to produce an application form that would:

- Gather data required for the accurate allocation of the funding in accordance with the guidance
- Inform the applicants how their data would be used
- Deter fraudsters by including strong counter-fraud declarations

Using this data the Investigation Team then proceeded to:

- Verify the applicant's basic entitlement (using modelling data from the revenues team, or as advised by the 'Discretionary Scheme' panel)
- Complete due diligence on the business and the applicant, using a three step process where the team would:
 1. Confirm the identity of the applicant¹
 2. Check that the business was not insolvent, dissolved, or otherwise not trading²
 3. Confirm that the applicant and business was not a known fraudster³

All verified and 'Cleared' applications were then approved by the Investigation Team for payment. In instances where checks failed or concerns were raised, applications were investigated on a case-by-case basis to resolution (either rejection or approval). Investigations into these suspected fraud cases are currently underway.

The process was developed to be non-intrusive and 'Light-Touch' whilst ensuring separation of duties and speedy delivery of funding. The work was undertaken as a joint effort in collaboration with the administrators of the schemes and was continually adapted throughout the duration of the administration of the schemes.

The deadline for applications was 28 August 2020 with all payments to be made by 30 September. The data below is reflective of the date of compilation, 28 September 2020.

Results of Intervention:

Mandatory Scheme Applications Rejected	Total	SBGf	RLHGF Lower	RLHGF Higher	Unclassified	Estimated Value
Blank Applications	49	-	-	-	49	N/A
Classified as ineligible by Revenues	213	-	-	-	213	N/A
Duplicate Applications Submitted	128	57	13	58	-	£2,150,000.00
Property listed as Empty	16	1	1	3	11	£95,000.00
Missing/Requested Information Not Provided	45	23	2	18	2	£700,000.00
Applicant is not the legitimate Occupier/Ratepayer	53	11	15	11	16	£301,000.00
Business and/or Premises not in Business Rates Database OR No Assessment Present	10	-	-	-	10	N/A
Failed Due Diligence	5	2	-	3	-	£95,000.00
Other	2	2	-	-	-	£20,000.00
Total	521				Total	£3,361,000.00

Discretionary Scheme Applications Rejected	Total	Estimated Value
Not put forward for Payment	237	N/A
Rejected by Revenues	12	£117,600.00
Missing/Requested Information Not Provided	2	£14,000.00
Not trading on 11th March 2020	1	£4,500.00
Funded by other Authority	2	£13,600.00
Could not Verify Identity	4	£11,850.00
Total	258	£161,550.00

Risk Description	Impact	Likelihood	Controls/Mitigation	Comments
OCC Investigation casework subject to legal time bar due to unavailability of criminal interview facilities within St Aldates Chambers.	Moderate	High	Explore use of facilities at other organisations such as DWP & Police. Adaptations to SAC interview room required to make it Covid safe. Perspex screen, ventilations, hand sanitiser stations, PPE, enhanced cleaning	Other organisations have limited availability or non-compliant facilities Requested of Facilities in July 2020 & advised that ODG regularly reviewing SAC operating model
Decline in trading income due to reduced business development activity during Covid restricted operations (new business)	Moderate	High	Devising & hosting the 5 th Annual Fraud Conference to be held entirely online in November 2020.	Over 200 delegates expected with sponsorships from supplier organisations covering more than 100% of costs.
Decline in trading income due to partner organisations not renewing contracts (existing business)	Moderate	Medium	Regular liaison & performance monitoring in place with contracted partner organisations. Requests for early indication of intentions prior to contract end date. Refreshing work plans to reprioritise efforts to revenue generating activity in light of Covid related financial pressures.	With new & emerging Covid related fraud risks, there is pressure on LA's to ensure systems & services are robustly protected. This may influence renewal of contract with LA partners.
Staff retention	Major	Medium	Recent regrade of Investigation Officer role brings salary rate up to date & competitive with neighbouring authorities Heightened awareness of staff morale & wellbeing during compulsory working from home period Avoiding cuts to service through evidence of ongoing value for money service provision to OCC	Increased frequency of staff one to one meetings. Regular online team social events. £4.7m additional revenue & prevented fraud losses in 2019-2020

INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

November 2020

IDEAS | PEOPLE | TRUST



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SUMMARY OF 2020/21 WORK

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2020/21 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

2020/21 Internal Audit Plan

We are pleased to present the following reports to this Audit Committee meeting:

- Payroll and Overtime Report
- Follow up Report

In May 2020 it was agreed with the S151 officer that all Quarter 1 reviews will be delayed until Quarter 2. We have made good progress in Quarter 2 and Quarter 3 where a majority of Terms of References have been finalised and reviews will/have commenced from September onwards. The following reviews have/will commence from October and November and we anticipate to present these at the next audit committee:

- Accounts Receivable
- Data Analytics
- Planning Services
- Treasury Management
- Channel Shift.

REVIEW OF 2020/21 WORK

Audit Area	Audit Days	Executive Lead	Planning	Fieldwork	Reporting	Opinion Design	Opinion Effectiveness
Audit 1: Car Parking	10	Nigel Kennedy	✓	22 Feb 21			
Audit 2: Channel Shift	15	Helen Bishop and Nadeem Murtuja	✓	9 Nov 20			
Audit 3: Companies Oversight	15	Nigel Kennedy	✓	4 Jan 21			
*Audit 4: Housing Rents	13	Nigel Kennedy	✓	11 Jan 21			
Audit 5: Community Strategy	15	Ian Brooke	✓	TBC			
*Audit 5: Environment	15	Jo Colwell	✓	1 March 21			
Audit 6: Accounts Receivable	15	Nigel Kennedy	✓	19 Oct 20	✓		
Audit 7: Payroll and Overtime	15	Helen Bishop	✓	21 Sept 20	✓	Substantial	Substantial
Audit 8: Data Analytics	15	Nigel Kennedy	✓	10 Jul 20	✓		
Audit 9: Income Collection and Cashiers	15	Nigel Kennedy	✓	8 Mar 21			
Audit 10: Treasury Management	12	Nigel Kennedy	✓	2 Nov 20			
Audit 11: Planning Services	15	Adrian Arnold	✓	5 Oct 20	✓		
Audit 12: Corporate Performance	15	Helen Bishop	✓	7 Dec 20			
Audit 13: *Enforcement Restructure	12	Nigel Kennedy	✓	TBC			

EXECUTIVE SUMMARY - PAYROLL AND OVERTIME

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Substantial	The controls that are in place are being consistently applied.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	0
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 1

CRR/BAF REFERENCE:

- 1.Enable An Inclusive Economy
- 2.Deliver More Affordable Housing
- 3.Support Thriving Communities
- 4.Pursue A Zero Carbon Oxford

BACKGROUND:

Oxford City Council (the Council) process the payroll for c.1,200 staff per month via their iTrent system. The payroll team is led by the Payroll Manager who is supported by two Payroll Technicians and one System Administrator. The Council's Human Resources (HR) team, which is led by the HR Manager, process new starters, leavers and variations to employee contracts. These details are passed onto the payroll team for processing to ensure correct payments are made as per the employees' contract.

The Council use third party payment processor MidlandHR to process all payments based on the reports provided by the Council payroll team. Payments are only made once they have been approved by an authorised signatory from the Council.

Our approach was to conduct interviews to establish the controls in operation for each of our areas of audit work. We reviewed a sample of 18 starters and leavers from April 2020 to November 2020. We ensured there were appropriate starter and leaver forms in place, these

were authorised by the corresponding line managers and the payroll system was aligned to the forms. We also reviewed a sample of 20 mileage and expense claims ensuring these were approved and there was appropriate evidence to support the expense claims.

GOOD PRACTICE:

We noted the following areas of good practice:

- Of the sample of 9 starters and 9 leavers
 - All starters and leavers were added and removed from the system respectively and in a timely manner
 - Leaver forms and contract forms were sufficiently authorised by the HR team and line managers, before the details were uploaded to the payroll system
 - All Starters were paid in line with their contract and employee payslips were in line with the monthly payroll report
- Of the sample of 10 expenses and 10 mileage claims reviewed:
 - Each claim was approved by the corresponding line managers on the payroll system, and not submitted onto the expenses system until the claim was completed
 - All expense and mileage claims reviewed were in line with the expenses policy and had sufficient evidence and legitimate business cases against each claim
 - Each mileage payment was recalculated correctly and the payroll system monitored the number of miles being claimed ensuring that rates were adjusted if any employee claimed over 10,000 business miles
- The parameters agreed between the Council and MidlandHR are appropriate and in line with HMRC legislation
- Monthly payroll reconciliations were adequately documented and reviewed by separate members of the team. Documentation was maintained and there were clear audit trails for the payments made
- Payroll runs are prepared and reviewed in line with the Payroll Processing Guide, in a timely manner, with appropriate segregation of duties.

KEY FINDINGS:

Finding	Summary of Recommendations	Owner	Due date
The nominated signatories within the Processing Guide (used for BACS payroll approval) was outdated and did not mirror the Council's authorised signatory listing (Finding 1 - Low)	<ol style="list-style-type: none"> 1. The Council should liaise with MidlandHR to update their processing guide, to only include current members of staff with the appropriate authorisation to sign BACS payments 2. The Council should ensure the processing guide is aligned to the Council's, ensuring congruence annually or when changes are made. <p>Management Response:</p> <p><i>Agreed - If someone did refer to the out of date list MHR wouldn't accept the authorisation and return it to us and not process the payment.</i></p> <p><i>MHR wouldn't get involved in updating the processing guide now as it is not a generic document and only applies to</i></p>	Simon Edginton, Payroll Manager	31 st January 2021

	<i>OCC so we would amend internally. We have started to do this and we will be removing the authorised signatures from it as they are dealt with separately as and when needed.</i>		
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CONCLUSION:

There are robust payroll controls being demonstrated by the Council. During the course of our review we found one minor exception which requires the Payroll Processing Guide to be updated, but have otherwise found all controls to be working effectively. We have therefore provided substantial assurance over control design and operational effectiveness.

A nighttime photograph of the St. Paul City Center, featuring the prominent dome of the Minnesota State Capitol building. The scene is illuminated with vibrant blue and purple lights, and streaks of light from passing vehicles create dynamic diagonal lines across the frame. A semi-transparent white box is overlaid on the lower portion of the image, containing the title and subtitle text.

LOCAL GOVERNMENT SECTOR UPDATE

Quarter 3 Update

November 2020

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members.

FINANCE

Government launches review into council's governance

The government has launched a 'rapid review' into governance at Nottingham City Council, its second review of this kind announced in under a week.

The new review will focus on governance and risk management issues associated with the council's formally wholly-owned energy company Robin Hood Energy.

The probe will scrutinise the robustness of any forward-looking commercial strategies or plans and the council's longer-term approach to borrowing and investment.

Local government secretary Robert Jenrick, said: "I have been monitoring the very serious situation at Nottingham City Council closely, including the collapse of their Robin Hood Energy scheme. "A review such as this is not undertaken lightly - councils have a duty to manage taxpayers' money responsibly and should be held to account where they are found to have failed to do so."

The review will be led by Max Caller, consultant and lead inspector for the Best Value inspection of Northamptonshire County Council, launched in 2018 due to financial failings.

Caller will be supported by a financial reviewer, Julie Parker, who is a former chief finance officer and section 151 officer at both Barking & Dagenham Council and Haringey Council.

<https://www.publicfinance.co.uk/news/2020/11/government-launches-review-councils-governance>

Thurrock Council borrows £125m from PWLB

Thurrock Council has taken out a £125m loan with a maturity of just two years from the Public Works Loan Board. The loan, set to mature in 2022 at a rate of 1.77%, was outlined in statistics compiled by the Debt Management Office. It is the first loan the council has taken out with the facility in 2020-21, after it borrowed £100m in March. It is unclear whether Thurrock is refinancing existing debt or using the loan for other purposes but PF had not received a reply from the council for information at the time of publication.

In June, the council rejected claims made in a report by the Financial Times which raised concerns over its investment strategy, that has seen the authority borrow more than £1bn in short term loans from other councils. The article said council officers had signed off loans from about 150 local authorities and council pension schemes, of which £702m of was in renewable energy deals.

Thurrock said it began to borrow from other authorities as it represented better value than the rates under the PWLB. A council report in July said that gross debt within the council is £1.4bn, with the majority consisting of loans from other local authorities at £1bn.

<https://www.publicfinance.co.uk/news/2020/11/thurrock-council-borrows-ps125m-pwlb>

The lowdown: Sutton's £250m fintech bond deal

Following the pricing of a £250m bond by the London Borough of Sutton, *PF* speaks to David Whelan, managing director of public sector treasury at Link Group, which advised on the deal.

How much cheaper for Sutton is the bond compared with the comparable rate from the Public Works Loan Board?

The rate for the bond was 1.732%, and the comparable rate from the PWLB was around 2.6%, so the council stands to save around £890,000 per annum.

Over the course of the £100m issuance, the council will save around £26.7m, though this figure is undiscounted.

What was the attraction of the European Primary Placement Facility over more traditional means?

When you are accessing the public bond markets through traditional means, the cost - over and above the interest cost - of issuance can be quite high. This is the cheapest way to issue and we were able to get the tightest issued spread on a conventional bond in the local authority market in recent years. The process can also be quite lengthy. What we were trying to do - as well as secure a very good effective interest rate on the borrowing - was to ensure that the other costs are kept to a minimum.

<https://www.publicfinance.co.uk/news/2020/11/lowdown-suttons-ps250m-fintech-bond-deal>

A single year spending review a 'sensible decision'

However the IFS has suggested it is not possible in the current climate to set credible fixed spending limits. A report from the institute recommended a delay to decisions on spending in future years until some of the uncertainty over Covid-19, Brexit and the future of the economy has dissipated. In our view that would be a sensible decision, the uncertainties are just too great at the moment, not just about the future state of the economy and tax revenues but also about the future demands on public services that will need to be met."

The IFS added that however long the spending review will cover, it will be fraught with difficulties and there will be some tough choices facing chancellor Rishi Sunak.

These include how much of the £70bn additional funding for departments this year in response to the pandemic will be allocated for future plans, and if any of the Covid-19 expenditure is carried over on a permanent or semi-permanent basis.

<https://www.publicfinance.co.uk/news/2020/09/single-year-spending-review-sensible-decision>

Covid-19: Fighting fraud in real time

In unprecedented circumstances, the local authority response to the administration of Covid-19 business grants has been very good. The administration of grants was swift and local authorities used existing due diligence and robust measures to prevent fraud. In addition, they shared intelligence in real-time with NAFN to benefit others alongside accessing new services developed by both the public and financial sector to support prevention, verification and validation. This response has yielded excellent results and based on current intelligence, the value of prevention and recovery far outweighs recorded losses.

Fraud awareness during this time is widespread and the pandemic has highlighted the importance of:

- enhanced fraud awareness throughout public sector organisations;
- ensuring all officers have knowledge of the appropriate fraud reporting channels;
- provision of all the necessary tools to achieve required outcomes including an automated verification and validation system;
- increased resource in anti-fraud teams; and

- effective communication channels between anti-fraud, revenues, finance, payroll and procurement teams

<https://www.publicfinance.co.uk/opinion/2020/09/covid-19-fighting-fraud-real-time>

Government urged to address Covid-19 backlogs

The upcoming Comprehensive Spending Review must allocate funding to address record public service backlogs, CIPFA and the Institute for Government have warned.

The warning was made in a joint report which said that despite £68.7bn of extra funding since March, huge backlogs have developed as result of the pandemic, most notably in the judicial and healthcare systems. The report said the crown court case backlog is now equivalent to 56,000 cases, 42% higher than pre-pandemic levels and the highest in over 20 years. CIPFA chief executive Rob Whiteman, said: “In a moment where public services are facing great, unprecedented challenges, we must be able to determine if they are ultimately reaching those they are intended to serve.

“There must be a clear plan from government on how short-term stimulus packages in the coming months will be aligned to a clear outcomes framework.

<https://www.publicfinance.co.uk/news/2020/11/government-urged-address-covid-19-backlogs>

Council confirms £60m loan for airport

Luton Borough Council has approved the borrowing of £60m, which it then intends to lend to its wholly-owned London Luton Airport Ltd as it seeks to offset losses resulting from Covid-19.

The loan was approved during a restricted session of an executive committee, and is the first of two loans the council intends to provide to the airport over the coming year. The council said that without the loans, the airport could become insolvent and cease trading, meaning it would be unable to make further dividend payments that the council could then use to fund services.

“As LLAL is so important to our local economy and in providing vital public funds to support the most vulnerable people, the council is working with the company to get the town through this period,” the council said.

“The council is to borrow £60m and lend it to LLAL. This is because the council is able to borrow money at a cheaper rate of interest than LLAL can.” Luton added the airport will repay interest to the council at a higher rate than the council borrows at. The council said that, including the interest payments, the airport would be able to deliver £32m back to the authority next year to support frontline services.

<https://www.publicfinance.co.uk/news/2020/09/council-confirms-ps60m-loan-airport>

IT

A cyber-attack in February cost Redcar and Cleveland Borough Council more than £10m, a report has revealed.

The report, presented to a cabinet meeting earlier this week, estimated the total cost of the attack to be £10.14m, and the council has been working with the government to receive financial support. The council said prior to the attack, it had appropriate cyber-security arrangements in place to meet the standards set out by the Public Services Network. However the attack did have quite a large effect on council operations, the report said. The report said: “In terms of our response to the cyber-attack, the council acted quickly and effectively, working extremely hard to mitigate the effects on our key services and most vulnerable residents. “However, the attack did permeate almost all functions of the council, and the

required response and consequential impacts will have a bearing on the council's finances. "The report added the proposed financial support from the government would be used to fund additional costs, lost income and actions taken to reduce the impact of the attack. Any support provided in advance would be held in reserve and drawn down as required, the report said. Reports just after the attack in February confirmed the council suffered a ransomware attack with hackers demanding money to restore functionality to its IT system. Redcar said recovery and replacement work to the IT infrastructure and systems makes up £2.4m of the overall cost.

Since the attack, the council said it has made additional improvements to cyber defences, with "further upgrades" planned.

Redcar has also put itself on the list of pilot authorities to enrol on a National Cyber Security Centre scheme, which it said will make its cyber defences "more advanced" than most other local authorities. Elsewhere in the report, the council predicted Covid-19 has cost the council around £13m in lost revenues and additional costs, with £11.3m received from central government to date - leaving a funding gap of £1.65m.

There are multiple ways to reduce the risks of attacks like this, such as cold storage backups and reduced user access. However, it is important to have strong and layered security controls in place that can prevent attacks from being successful in the first place, or to be able to quickly detect and respond where they have been able to get into systems. Only then can organisations minimize the economic impact of cyber-attacks to a manageable level."

Environment

This briefing note sets out the framework within which councils can begin to deliver ambitious action plans.

It explains some of the key issues surrounding carbon targets and budgets, and what levels of emission reductions are necessary to be consistent with the Paris Agreement.

This briefing is also part of a series, commissioned by the Local Government Association, which sets out what actions will be most effective for local government in the transport sector. It sets out a framework of intervention types which can be used to cut carbon. There is a huge diversity in transport-related CO2 emissions between local authorities today, and very different options and opportunities available for different places to tackle the problem.

This briefing and the six accompanying briefings do not provide a prescription of what must be done, rather a menu of options, from which various measures will need to be combined - in place-appropriate ways - to deliver change.

<https://www.local.gov.uk/decarbonising-transport-getting-carbon-ambition-right>

HOUSING

Three LGPS funds invest £97m in housing

Local government pension schemes in Lincolnshire, South Yorkshire and Tyne and Wear have invested a combined £97m into a ten-year residential investment fund.

The fund will be managed by investment firm Hearthstone Investment Management and will invest in a portfolio of homes for private rent in areas with strong rental demand and lower supply.

The houses and small apartment blocks will be aimed at families, professionals and key workers seeking long-term rented homes. Figures on the breakdown of investments by each of the

three LGPS funds have not been disclosed. Jo Ray, head of pensions at Lincolnshire Pension Fund, said “We were keen to invest in the residential sector, and in particular into a strategy involving houses and small block of flats.

<https://www.publicfinance.co.uk/news/2020/11/three-lgps-funds-invest-ps97m-housing>

New development levy set to boost revenue

How much money could local government raise from government plans to radically shake-up the process of negotiating developer contributions?

A white paper published in August proposes the biggest overhaul of the planning system in a generation, cutting regulations in order to accelerate the delivery of new homes across England.

The proposals would also introduce a new infrastructure levy to replace the system of securing developer contributions towards affordable housing, roads and schools.

The white paper called current arrangements “complex, protracted and unclear”, and said they result in proposals for an infrastructure levy would replace ‘complex, protracted and unclear’ developer contributions in uncertain outcomes, “which further diminishes trust in the system and reduces the ability of local planning authorities to plan for and deliver necessary infrastructure”.

However, Jacqueline Backhaus, partner at law firm Trowers & Hamlin, said that the mooted changes would “inevitably involve even less flexibility, as well as taking away the ability of local authorities to set the rates”. The proposed levy would replace planning obligations, negotiated with developers through Section 106 agreements, and the community infrastructure levy, which is charged by almost half of authorities.

<https://www.publicfinance.co.uk/news/2020/09/news-analysis-new-development-levy-set-boost-revenue>

Councils' capital activity suffers pandemic blow

Council investment in buying buildings dropped by 56% in the first quarter compared to last year, while spending on new construction projects fell just 14% according to government data.

Figures released by the Ministry of Communities and Local Government, based on returns from councils, showed the impact of the Covid-19 pandemic on capital spending between April and June.

Overall, quarterly capital expenditure dropped by 27% year-on-year, from £4.1bn to £3.0bn, while capital receipts fell 32%, from £465m to £318m. Scott Dorling, partner at law firm Trowers & Hamlin, said: “It is not surprising that local authority capital expenditure in the few months immediately following the pandemic is down compared with previous recent quarters.

<https://www.publicfinance.co.uk/news/2020/09/councils-capital-activity-suffers-pandemic-blow>

Council signs £600m regeneration deal



Harrow Council has agreed to create a regeneration joint venture worth up to £600m with developer Wates Residential, with plans including a new civic centre, school and up to 1,500 homes.

Agreement was made last night at a council cabinet meeting, where it decided to select the developer for the 50/50 Harrow Strategic Development Partnership.

A report discussed at the meeting said the council will have to borrow £23.8m, alongside providing land and capital receipts valued at £19.8m.

The report said the £23.8m loan will be paid over seven years, and will help fund work on three core sites in the area.

Graham Henson, leader of Harrow Council, said: “Through our partnership with Wates we have a once in a lifetime opportunity to make a real and lasting difference to the lives of our residents and boost the local economy.

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.



<https://www.publicfinance.co.uk/news/2020/09/council-signs-ps600m-regeneration-deal>

APPENDIX I - DEFINITION OF ASSURANCE

	fully effective.			
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.



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INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

OXFORD CITY COUNCIL

November 2020

IDEAS | PEOPLE | TRUST



Summary

FOLLOW UP GOING FORWARD - BDO RECOMMENDATIONS

Following the issue of reports, all due high and medium recommendations will be followed up within this report.

RECOMMENDATIONS

- 13 recommendations are due for follow-up with recommendations due prior to the end of September 2020
- Previous recommendations may simply have a revised date that is post this Committee and therefore, will be picked up at the next Committee

Of the 13 recommendations:

- One High and Five Medium Recommendations were completed
- One Accounts Receivable High recommendation has been issued with a 4th revised due date
- One Graffiti and Street Appearance Medium recommendation will not be implemented, with the risk being accepted by the Head of Operations (ODS). This recommendation cannot be fully executed until the implementation of the Areon QL system (New housing system). However, we have advised ODS to take a personalised approach when communicating timescales to Customers (see page 7 for further details)
- An update has not been received for five Corporate Performance recommendations since the previous Committee, at which point the due dates were revised due to the impact of COVID-19.

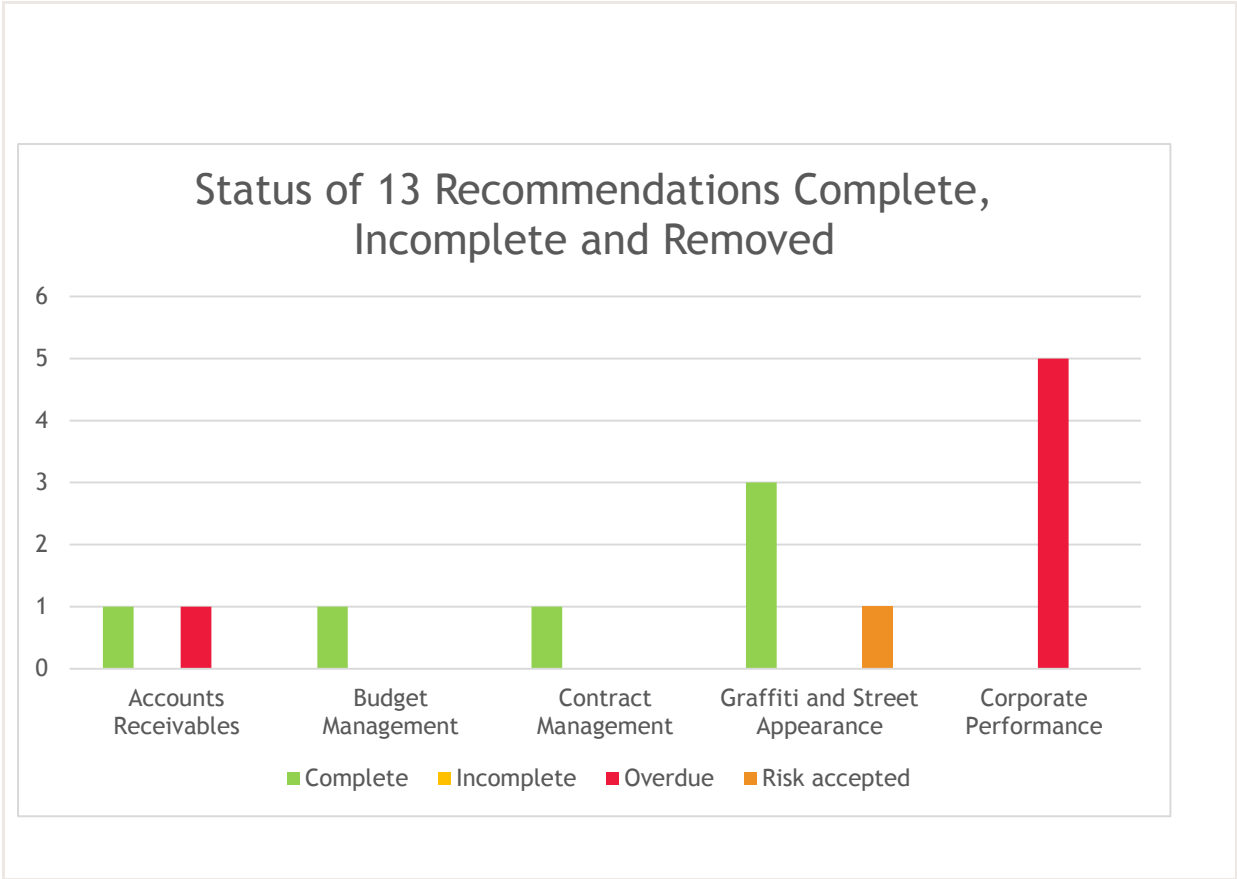
Follow up Process

As part of the follow-up process we issued all recommendations due for implementation on or before September 2020 on 10th August 2020. Recommendations due were sent to all responsible officers and the corresponding heads of service. We gave responsible officers 4 weeks to respond. We subsequently chased officers throughout September 2020.

We are required to escalate non-responses and/or recommendations with several revised due dates to the Operational Delivery Group (ODG). We did not escalate responses to the ODG at this stage as we received all responses in a timely manner. However, recent discussions within the ODG meeting noted that the follow up tracker will be sent to the ODG for review. This is to keep all heads of services informed of the recommendations due and complete.

For all incomplete recommendations, we will:

1. Continue to emphasise to staff to be realistic about the implementation dates when completing their management responses at the completion stage of each internal audit review
2. Issue the recommendations tracker to all the relevant Heads of services on a monthly basis from the December audit committee onwards
3. Issue reminder emails 6 weeks prior to the follow up review to ensure timely completion of each recommendation



Recommendations: Complete

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
Contract Management	All contracts should have KPIs, and these should be devised where missing.	H	Matthew Stevenson, Contracts and Procurement Specialist	September 2020	<p>Council's Comments:</p> <p>Central register is being compiled, it will be on-going and new KPI's will be added as different projects identify new KPI and SLA requirements.</p> <p>IA Comments:</p> <p>We reviewed the SLA KPI selection list and were satisfied that it met the recommendation requirements.</p>
Budget Management	Service area objective and Corporate Objectives a) Business partners should organise a training programme to educate management on how an operational decision within the budget proposal will impact the corporate objectives.	M	Anna Winship, Management Accounting Manager	September 2020	<p>Council's Comments:</p> <p>During the budget process, which is now underway, the Head of Service and all members of the team are educating all cost centre managers and Heads of Service to ensure that they understand the implications of the process and the impact it has on the Corporate objectives.</p> <p>IA Comments:</p> <p>Through the budget process, a training programme is ongoing and therefore the recommendation has been completed.</p>
Accounts Receivable	All departments across the Council should be given adequate levels of training on the importance of due diligence, how to successfully carry out due diligence, and	M	Neil Markham, Income Team Leader	September 2020	<p>Council's Comments:</p> <p>The training session are now fully planned and are due to be held via</p>

	the consequences for the Council of the failure to complete due diligence.				zoom on 8th and 22nd October. We expect to arrange focused sessions off the back of these with any participants that require it. IA Comments: Due diligence training sessions are scheduled for next month and therefore the recommendation has been completed.
Graffiti and Street Appearance	The Council should ensure the updated policy is reflected on the Oxford City Council website.	M	Shaun Hatton, Head of Operations (ODS)	September 2020	Council's Comments: The website has been amended to reflect the current policy. IA Comments: Review of the Council's website shows the updated policy.
Graffiti and Street Appearance	Update the Lagan system scripts and automated confirmations to ensure they are consistent with the advice on the website and reflect the current practices.	M	Shaun Hatton, Head of Operations (ODS)	September 2020	Council's Comments: Lagan script has been amended and provides automated response advising customer in line with current policy. IA Comments: A screen shot of the automated response provided to the customer was evidenced. The script was updated to reflect this.
Graffiti and Street Appearance	For offensive reports, following confirmation to ODS that reported items have been removed, a confirmation should be sent to the original reporter to advise them this has been addressed and the date of removal. For non-offensive cases, where possible these should be routinely updated on FixMyStreet and reporters noted following a successful ward clean.	M	Shaun Hatton, Head of Ops (ODS)	September 2020	Council's Comments: Action completed and operational process amended to ensure feedback given for all offensive graffiti removal. The routine update on FMS, as per the management response, is

		<p>considered to be too costly to implement at present but such functionality may be possible after full implementation of the Aereon QL system in future years. The residual risk is therefore accepted.</p> <p>IA Comments:</p> <p>The recommendation related to offensive reports has been completed so that the original reporters are updated. Routine updates for non-offensive reports are not currently possible.</p>
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Recommendations: Risk Accepted

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
Graffiti and Street Appearance	The Council should update the current system scripts so that when a new graffiti case is reported, a confirmation will be sent to the reporter to advise them of the process and realistic time frame. This could be through personalised communications or through sharing of the ward schedules.	M	Shaun Hatton, Head of Operations (ODS)	August 2020	<p>Council's Comments: Existing systems are unable to support this functionality and it is not affordable at present to fund the staffing to implement this measure as per the management response contained within the final audit. Such functionality may be possible after full implementation of the Aereon QL system in future years. The residual risk is therefore accepted</p> <p>IA Comments: The Council's systems are not currently able to fully implement this recommendation. However, we have advised ODS to take a personalised approach and advise customers of timescales where possible.</p>

Recommendations: Overdue

These recommendations have been marked as overdue as they continue to be incomplete despite having previously revised their implementation dates. Therefore, they have now missed at least two implementation dates.

Audit	Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
Accounts Receivable	The issuing of the 14 day, 45 day and L7 reminder letters should be automated to ensure that they are sent to the customer in a timely manner.	H	Neil Markham, Incomes Team Leader	September 2020 Revised due date: March 2021	<p>Council's Comments: No progression against the automation of the L7 letters. Again other system issues are taking precedence. This was included as one of the areas for development on the Agresso upgrade plan but no updates as yet.</p> <p>IA Comments: A revised due date has been issued as there are other system concerns that are currently taking priority.</p>
Corporate Performance	Review the Performance Management Framework (2011 - 2015) and ensure it is updated regularly i.e. every two years and ensure it is in line with the Council's current Corporate Plan.	M	Helen Bishop, Head of Business Improvement	September 2020 Revised due date: Jan 2021	<p>IA Comments: We are putting together a workshop in October which will identify the KPIs the service areas will be forming this will feed into the Performance management framework and will be updated after agreeing the indicators.</p> <p>IA Comments The Workshop will be facilitated by Internal Audit and we will establish how best to devise KPI's for the Council. We also have an audit review in December where we will assess whether the KPI's have been included within the Performance Management Framework and whether the framework has been updated.</p>
Corporate Performance	Actions plans should be SMART against each risk identified.	M	Helen Bishop, Head of Business Improvement	September 2020 due date: Jan 2021	The Corporate Dashboard report is produced on a monthly basis and has been changed to fit with the current arrangements. The current issues and
Corporate Performance	The actions original date should be outlined in the corporate dashboard	M	Helen Bishop, Head of Business		

	report for each corporate indicator.		Improvement	<p>progress on performance is reported by each service area on a monthly basis and performance is monitored three times a week by CMT. In the workshop we will aim to understand what has worked well in relation to the reporting mechanism and we will adopt these measures Post Covid. ODG are also meeting twice a week and a forward plan is in place issues are being identified and addressed frequently.</p> <p>IA Comments Internal audit will help facilitate discussions on what has worked well for the Council in terms of reporting against performance and what can be improved. These discussions will help form improvements in the corporate dashboard report.</p>
Corporate Performance	The due date should be outlined for each corresponding action.	M	Helen Bishop, Head of Business Improvement	
Corporate Performance	There should be a detailed response on the mitigation of the risk since performance on the progress to date against each action plan.	M	Helen Bishop, Head of Business Improvement	

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**Oxford City Council and
Group
Draft Audit results
report**

Year ended 31 March 2020

09 November 2020

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EY

Building a better
working world

Agenda Item 7

09 November 2020



Dear Audit & Governance Committee Members

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

We have substantially completed our audit of Oxford City Council for the year ended 2019/20.

As set out in Section 1 of this report, a number of issues have arisen as a result of Covid-19 which we needed to consider in respect of our audit opinion. We confirm that we expect to issue our audit opinion on the financial statements before the accounts publication date of 30 November 2020. At this stage we have not identified matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 24 November 2020.

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

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

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

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



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01 Executive Summary

Executive Summary

Scope update

In our audit planning report tabled at the 9 March Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

Changes to reporting timescales

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

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

- ▶ **Valuation of Property Plant and Equipment** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment. We provide an update on our work on valuations at Section 2 of this report.
- ▶ **Disclosures on Going Concern** - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.
- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed will reflect the specific circumstances of the Local Authority.
- ▶ **Adoption of IFRS16** - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements does not now need to be financially quantified in 2019/20. We therefore no longer consider this to be an area of audit focus for 2019/20.

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

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

Changes in materiality. In our Audit & Governance Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £4.63m, with performance materiality, at 75% of overall materiality, of £3.47m, and a threshold for reporting misstatements of £0.23m.

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

The basis of our assessment has remained consistent with prior years at 2% of gross operating expenditure. Based on our materiality measure of gross operating expenditure for the Group, we have updated our overall materiality assessment to £4.67m (Audit Planning Report – £4.63m). This results in updated performance materiality, at 75% of overall materiality, of £3.50m, and an updated threshold for reporting misstatements of £0.23m. These are the figures for the group.

Equivalent figures for the Council are materiality of £4.07m, performance materiality (at 75%) of £3.05m, and a threshold for reporting misstatement of £0.20m.

Executive Summary

Scope update

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

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

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

Areas of audit focus

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

In response to the Covid-19 pandemic we revised our risk assessment and included an additional inherent risk around Going Concern disclosures and consideration of Post Balance Sheet Events.

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

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

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

Executive Summary

Status of the audit

We have substantially completed our audit of Oxford City Council and Group's financial statements for the year ended 31 March 2020 and have performed a number of the procedures outlined in our Audit Planning Report. We note the outstanding matters set out in Appendix B. Until all remaining items can be completed it is possible that further amendments could be required. Below we also note some significant items which may impact on the status of our final audit report.

Our work on Group consolidation has been delayed due to the late receipt of the agreed deliverables from Mazars LLP. The work was initially scheduled to be received on 29 June 2020 and is now anticipated to be received week commencing 16 November 2020. This has delayed our work on the Group procedures. Given the impact of Covid-19 we also needed to liaise with the component auditors, Mazars LLP, to undertake a review of their working papers. This work was completed and no issues noted.

Impact of Covid-19

Our audit opinion may include reference to the following :

Property, Plant and Equipment (PPE) valuation - the external valuer has flagged a material uncertainty in their valuation report to the Council. This is consistent with what we have seen elsewhere across the sector. We have engaged with our internal valuation specialists to support the audit team understand the extent of the uncertainty. Our specialists have concluded their review and we do not anticipate having to include an Emphasis of Matter or a Material Uncertainty in respect of PPE valuation in our audit opinion.

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

Audit differences

At the time of writing, we have identified some unadjusted mis-statements in respect of the Pension liability. These are detailed at Section 4. We would ask for them to be corrected, or when not corrected, a rationale given as to why they are not corrected. These unadjusted mis-statements would be included in the Letter of Representation which is formally approved by the Chair of the Audit and Governance Committee and also the Head of Finance. We will set out the aggregate impact of unadjusted audit differences at the end of the audit and conclude whether we agree with management's assessment that the impact is not material.

To date these are the following agreed adjusted misstatements in the draft statements.

- 1) Accrual of an invoice amounting to £5.9m which is adjusted against Debtors and Capital Grants Receipt in Advance; and
- 2) Reclassification of cash and cash equivalents amounting to £5m to short term investments.

There were also some minor disclosures which have been adjusted by management. Details can be found in Section 4 Audit Differences.



Executive Summary

Control observations

Our audit approach is based on substantive testing and therefore our work is not focused on a controls approach, however if we identify any controls observations during our work we raise them with you. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Value for money

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

At this stage we have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We found the Annual Governance Statement to be consistent with our understanding of the Authority and Group.

We have substantially completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We have received the Council's submission and confirmed that the WGA submission was consistent with the financial statements.

We have no other matters to report.

Independence

There are no matters we need to refer to you in relation to our independence - please refer to Section 9 for more details and our update on Independence.



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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 Oxford City Council, we consider this risk to be present in:

- Additions to property, plant and equipment, Investment Property 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.

We focused our testing on property, plant and equipment and investment property capital additions and also Revenue Expenditure Financed from Capital Under Statute (REFCUS) capital additions.

Our testing of capital additions 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 £910 million (Gross Book Value) and £128 million respectively for the Council 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 which are valued on a depreciated replacement cost basis;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

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

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

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

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

What are our conclusions?

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

We have asked our internal valuers to support us with a review of a range of assets across the portfolio including offices, council properties and investment properties. This work is complete and our internal valuers found that all assets were within an acceptable range.

We have considered the impact of assets not revalued in year and the fact that assets valuations occur effective as at 1 April 2019. We have challenged officers on the material correctness of valuations at that date and officers are considering possible indexation and the impact that this could have across the portfolio. We identified no issues.

Our work on investment properties has not identified any issues that we need to bring to the attention of the Audit and Governance Committee.

Our overall work on valuations is subject to final internal senior review. We will provide an update at the Audit & Governance Committee meeting.



Areas of Audit Focus



Other matters

Misstatements due to fraud or error

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

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

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

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

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

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

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



Areas of Audit Focus

Inherent risk

Group structure

What is the risk?

The Council has a growing number of companies within the group structure, five of which are wholly owned by the Council and two where the company is jointly owned. With this growth comes additional complexity and risk arising from the need to understand and implement the accounting and reporting requirements for these operations.

One of these components, Oxford Direct Services Ltd (ODS), is a significant component to the group. The risk is considered significant because this is the second year of operation of the significant component. The accounts of the components will need to be consolidated into the Group accounts with appropriate consolidating adjustments. This gives scope for material error.

What judgements are we focused on?

- Management judgements of ownership arrangements and how they are disclosed.
- Correctness of reporting and disclosure of group elements in the consolidated financial statements.
- Correctness of consolidating adjustments.
- Completeness of related party disclosures.

What did we do?

- ▶ Examined the group structure and determine which elements are in scope.
- ▶ Monitored the position to identify any components that might move into scope by the year end.
- ▶ Reviewed the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice.

What are our conclusions?

This work is currently underway. However to complete it we need to obtain information from Mazars LLP, who are the auditors for Oxford Direct Services.

There have been delays in obtaining this information in 2019/20. Our original reporting timetable agreed delivery of the requested information to EY by 29 June. We now expect to receive the information week commencing 16 November as we understand that the ODS accounts were formally signed off on 28 October.

In October we undertook a review of the Mazars testing of ODS. We noted no issues from that review.

We will provide an update at the Audit & Governance Committee on the status of our work on Group.





Areas of Audit Focus

Inherent risk

Risk of error in the valuation of the net pension liability

What is the risk?

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

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2020 this totalled £144 million for the Council and Group.

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

What judgements are we focused on?

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

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

What did we do?

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

What are our conclusions?

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

This year, as in the previous year, there has been a national issue which resulted in a potential change to the Authority's pension net liability. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the "McCloud ruling". In addition, there is also another national issue, referred to as the Goodwin case.

We have also asked our internal EY Pension actuarial specialists to support our review of the potential impact of McCloud and Goodwin in 2019/20. The Council did not take account of McCloud and Goodwin in the financial statements. Based on our specialists the potential impact on the total liability could be in the following ranges:

McCloud: 0-0.2% increase in IAS 19 liability

Goodwin: 0.2% increase in 19 liability

Based on the IAS 19 liability of £144.4 m then this would equate to the following potential increases:

McCloud: £0-£0.28 m

Goodwin: £0.28 m

The cumulative impact of these 2 cases would be a maximum of £0.56 m. This is not material. We have included these as unadjusted mis-statements at Section 4.



Areas of Audit Focus

Inherent risk (new risk)

Going Concern and Post Balance Sheet Event disclosures in light of Covid-19

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What is the risk?

Going concern:

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. We believe the risk has increased following Covid-19. This is as current financial plans for 2020/21 will need revision and also longer-term Medium Term Financial Plans will need to be scrutinised and revised including a wholesale review of underlying assumptions and growth projections including Group considerations. We consider the unpredictability of the current environment to give rise to a risk that the Council will not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19.

Events after the balance sheet:

There is increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure will need to reflect the specific circumstances of the Council.

What judgements are we focused on?

We will specifically focus on key judgements underpinning the assumptions supporting longer term medium term financial planning including the judgements already taken in the interim. We will also assess key judgements being made in respect of the degree of disclosure reflected in the updated financial statements for Covid-19.

What did we do?

- ▶ Discussed the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21;
- ▶ Continued to assess the adequacy of disclosures required in 2019/20, and the impact on our opinion, should these be inadequate;
- ▶ Obtained managements going concern assessment and review for any evidence of bias and consistency with the accounts;
- ▶ Reviewed the financial modelling and forecasts prepared by the Council. This will consider key assumptions, stress testing applied to those assumptions and consider the risk to cashflow up to the date of 12 months after the signing date of the accounts and opinion.

What are our conclusions?

We have raised a number of questions of senior officers in respect of Going Concern and Post Balance Sheet Events. This has included a specific focus on the status of any revised forecasts and any supporting documentation supporting these. We are in the process of reviewing this information and will be able to provide further detail on the status of this work at the Audit & Governance meeting.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

IFRS16 - leases

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

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

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

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

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

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

What will we do?

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

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



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03 Audit Report



Audit Report

Draft audit report – Subject to conclusion of remaining tasks

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD CITY COUNCIL

Opinion

We have audited the financial statements of Oxford City Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

Council and Group Movement in Reserves Statement,
Council and Group Comprehensive Income and Expenditure Statement,
Council and Group Balance Sheet,
Council and Group Cash Flow Statement,
Related notes to support the financial statements 1 to 44 and G1 to G5, and the Council and Group Expenditure and Funding Analysis,
Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes H1 to H9
Collection Fund and the related notes CF1 and CF2

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:
give a true and fair view of the financial position of Oxford City Council and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of Oxford City Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
the Head of Financial Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
the Head of Financial Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Head of Financial Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



Audit Report

Our opinion on the financial statements

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

77 Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Oxford City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:
in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Responsibility of the Head of Financial Services

As explained more fully in the Statement of Responsibilities set out on page x, the Head of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Financial Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Audit Report

Our opinion on the financial statements

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Oxford City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Oxford City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Oxford City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Oxford City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Oxford City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Oxford City Council and Oxford City Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
XX November 2020



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04 Audit Differences





Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £3.05m which have been corrected by management that were identified during the course of our audit:

- ▶ Accrual of an invoice amounting to £5.9m which is adjusted against Debtors and Capital Grants Receipt in Advance; and
- ▶ Reclassification of cash and cash equivalents amounting to £5m to short term investments.

There were also some minor presentational and disclosure amendments which management have corrected which were below our summary of audit differences thresholds.

As the audit is still ongoing it is possible that further adjustments may be identified.

At the time of writing, we have not yet identified any unadjusted audit differences in the draft financial statements which management has chosen not to adjust.



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

Judgemental misstatements

1) IAS 19 Liability:

McCloud and Goodwin Assessment:

We assessed the Council’s treatment in the 2019/20 financial statements of the McCloud and Goodwin cases. Upon review of the actuarial reports and discussions with officers it was confirmed that no allowance had been made for these two cases. The audit team engaged internal actuarial specialists to support their conclusions.

∞

⇒ Pensions specialists concluded that the potential impact on the IAS liability (£144.440 m in 19/20) could be:

McCloud: 0-0.2% range increase in liability with the likely impact somewhere closer to 0.

Goodwin: 0.2% increase in liability

Taking these 2 cases together therefore we assumed a potential maximum impact of 0.2% on the liability. This would equate to a potential increase in the liability of £0.56 m.

IAS 19 Assets:

We considered the potential difference on the value of IAS 19 assets as estimated by the actuary and the value of the assets as per the draft Pension Fund Accounts of the Oxfordshire Pension Fund. Adjusting the Pension Fund for the Council’s share of the assets based on the draft Pension Fund accounts this would give a potential adjustment to assets of £1.467 m. This amount is not material.

We note these unadjusted mis-statements are not material, both individual and in aggregate, and we will seek representations from management as per the Letter of Representation as at Appendix C.



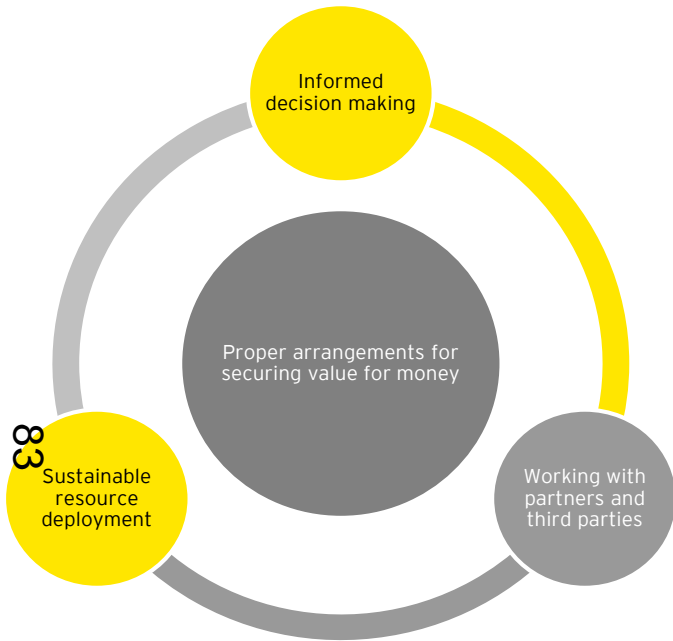
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05

Value for Money



Value for Money



Background

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

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

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

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

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

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

Impact of covid-19 on our Value for Money assessment

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

Overall conclusion

We did not identify any significant risks around these criteria, including consideration of Covid-19. At this stage we do not expect to have matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other Reporting Issues

Other reporting issues

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

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

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

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

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

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Whole of Government Accounts (WGA)

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

We are currently concluding our work in this area and will report any matters arising to the Audit & Governance Committee. As the Authority is under the threshold for full WGA procedures we do not anticipate any significant findings.

Other reporting issues

Other reporting issues

Other powers and duties

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

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

Other matters

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

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

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



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

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

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

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

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

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08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – revenue recognition and management override

Analytics Driven Audit

Data analytics

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

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

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

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

Journal Entry Analysis

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



Journal Entry Data Insights

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

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

EY Helix - GLASS: Journal Entry Data Insights - 20 Oxford City Council - P1 to P12 - 31/3/20



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Journal Entry Testing

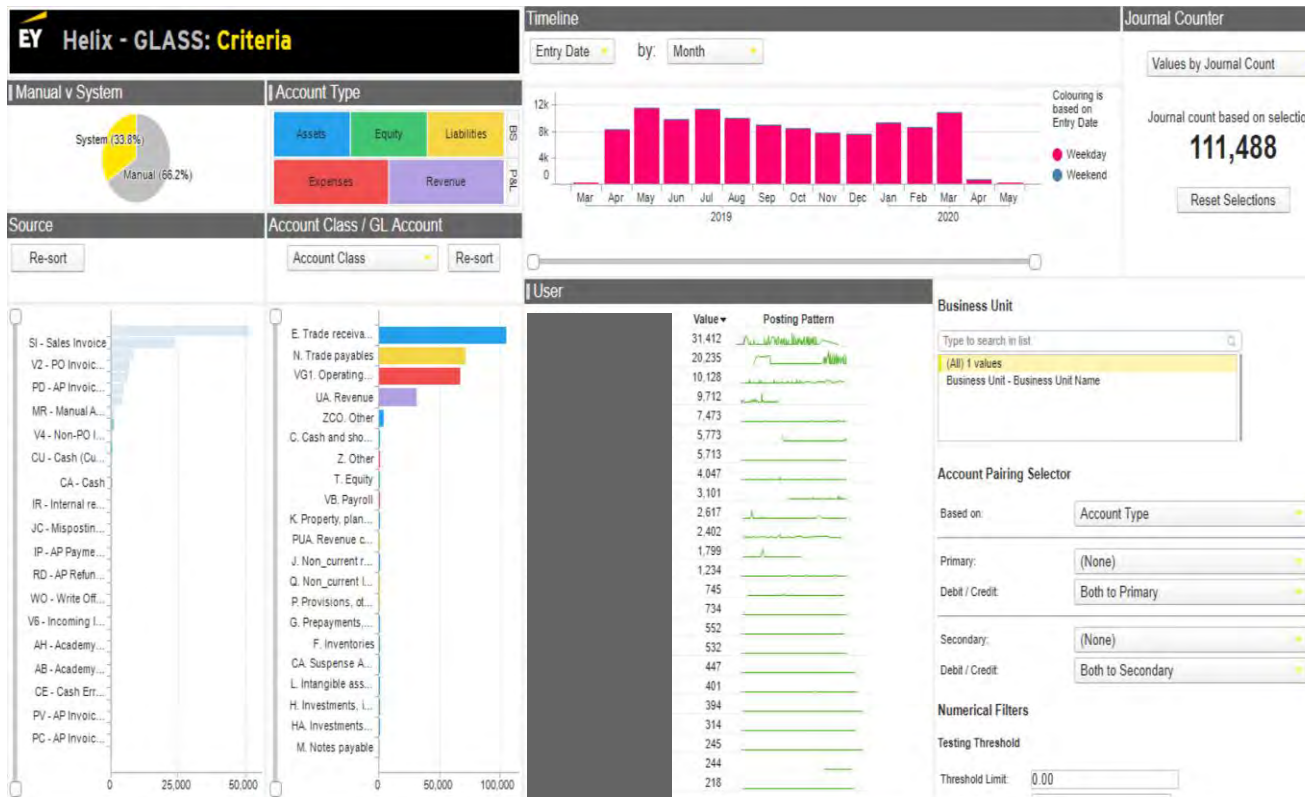
What is the risk?

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

What judgements are we focused on?

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

Journal entry data criteria – 31 March 2020



What did we do?

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

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

What are our conclusions?

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



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09

Independence

Relationships, services and related threats and safeguards

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

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

Services provided by Ernst & Young

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

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

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

Independence

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 14 February 2020 and table at 9 March Audit & Governance Committee meeting.

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 30 July 2020.

(*) The 18/19 Code work includes an additional fee of £12,500, which relates to additional procedures completed in the previous year in respect of significant risks and also as a result of additional work on Group and pensions. The proposed fee will have been approved by PSAA Ltd.

(**) The scale fee for 2019/20 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work on pages 5-16. We will discuss any change in the scale fee with management and set out the reasons for this. 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.

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31 March 2020.

We confirm that we have not undertaken non-audit work in 2019/20 and none is planned to be undertaken.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee - Code work	Note **	Note **	78,855*
Non-audit work: Housing Benefits subsidy claim certification	-	-	20,000
Total	Note **	Note**	98,855*

New UK Independence Standards

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

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant in vestees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- ⁹⁶ Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit & Governance Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit & Governance Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

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

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

Other communications

EY Transparency Report 2019

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

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

https://www.ey.com/en_uk/who-we-are/transparency-report-2020






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10 Appendices

Appendix A

Required communications with the Audit & Governance Committee

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

		 Our Reporting to you
Required communications	 What is reported?	 When and where
66 Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report presented at the 9 March 2020 Audit & Governance Committee meeting
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report presented at the 9 March 2020 Audit & Governance Committee meeting
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 	Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	We note the Covid-19 pandemic and we reference that in further detail within the Executive Summary and also in our audit report at section 3
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit & Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report presented at the 30 July Audit & Governance Committee meeting
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> 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. 	Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.





Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	<p>Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.</p>
Independence 101	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report presented at the 9 March 2020 Audit & Governance Committee meeting;</p> <p>and</p> <p>Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit & Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance Committee may be aware of 	Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit planning report presented at the 9 March 2020 Audit & Governance Committee meeting; and Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.




Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report presented at the 9 March 2020 Audit & Governance Committee meeting; and Audit results report presented at the 30 July Audit & Governance Committee meeting; and the 24 November Audit & Governance Committee meeting.

Appendix B

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 
Group	EY to complete Group procedures after receipt of agreed documentation from Mazars LLP	EY and Mazars LLP
Journals	EY to complete final review of Journals	EY
IAS 19 Assurance Letter	Receipt of the IAS 19 Assurance Letter from the auditor of Oxfordshire Pension Fund	EY and auditor of Oxfordshire Pension Fund
Property, Plant and Equipment (PPE)	EY to complete final review of PPE	EY
Accounts	EY to review Incorporation of EY review comments on disclosure notes	EY
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
Going Concern Assessment	EY to complete review of Management's Going Concern assessment in light of the financial impact of Covid-19	EY and management
Final Senior Manager and Engagement Partner Review	EY to complete final review of audit file upon full completion of all procedures above	EY
EY Consultation	EY to complete mandatory internal consultation process as a result of Covid-19 before issuing audit opinion.	EY

Draft Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

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

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

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the council and group financial statements. We believe the Council and Group financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council and Group financial statements are appropriately described in the Council and Group financial statements.
4. As members of management of the Council and Group, we believe that the Council and Group have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no uncorrected misstatements pertaining to the current period.

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 and Group'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 and Group 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 and Group (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 and Group'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 and Group'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 and consolidated 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 30 July 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's and Group'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 and the consolidated 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 consolidated and 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 and the consolidated 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 consolidated and 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 and Group has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's or Group's assets, nor has any asset been pledged as collateral. All assets to which the Council and Group has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the council and consolidated financial statements.

J. Reserves

1. We have properly recorded or disclosed in the council and consolidated 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 consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Asset Valuation Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council and the Group.
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 and consolidated financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Council and Group.
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,



Head of Finance

Chair of the Audit & Governance Committee

Appendix D

Regulatory update

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

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

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About EY

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

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ED None

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

ey.com

To: Audit and Governance Committee

Date: 24 November 2020

Report of: Head of Financial Services

Title of Report: Statement of Accounts for the Year Ending 31st March 2020

Summary and Recommendations

Purpose of report: To submit the Council's Statement of Accounts and Letter of Representation for approval and authorisation.

Key Decision No

Cabinet lead member Councillor Ed Turner

Recommendation: That the Committee:

1. Approve the audited 2019/20 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts
2. Approve the Letter of Representation to enable the opinion to be issued (paragraph 24)

Appendices

Appendix 1 –Statement of Accounts 2019/20

Appendix 2 – Letter of Representation

Background

1. The Statement of Accounts for 2019/20 (the Statements) are attached at Appendix A. The Accounts and Audit Regulations 2015 which revoke and replace the 2011 Regulations invoke earlier dates for the preparation, approval and publication of the Statements. Accounts normally now have to be completed and published in draft form by 31st May and audited, approved and published by 31st July. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended these dates for

the 2019/20 Statements only to 31st August 2020 and 30th November 2020 respectively.

2. On the 11th June 2020 the draft Statements were certified by the 'Responsible Officer', the Head of Financial Services as a true and fair view of the financial position of the authority at the 31st March 2020. The accounts were duly authorised to be released for audit.
3. Following audit by Ernst and Young the Statements have been re-certified by the Head of Financial Services and re-presented to this Audit and Governance Committee for final approval, prior to the deadline in accordance with the regulations.
4. The 2019/20 audit is complete with some specific matters outstanding as reported in the Audit Results Report elsewhere on this agenda but it is anticipated that all matters will be complete by the date of the Audit Committee so that the accounts can be signed off.
5. The auditors made some recommended changes, in line with the Code of Practice, which have been incorporated into the final version of the Statements and have also issued a draft report on the outcome of the audit. This report appears elsewhere on the meeting agenda.
6. The auditors are expected to issue an unqualified opinion on the financial statements.

Uncorrected Misstatements

7. There are uncorrected misstatements in the accounts relating to the pension fund calculations. These are classified as "judgemental" differences. Judgemental differences are where the auditors have undertaken an estimate and their estimate is different to the estimates included in the accounts, in this case the estimates provided by the Pension Fund Actuaries in their actuarial valuation report. These amounts are:
 - IAS19 Liability – McCloud and Goodwin assessment where the auditors calculate a potential increase in liability of £0.56 million;
 - IAS19 Assets – valuation of the assets where the value of the assets has been assessed as being potentially £1.467 million higher.
8. These amounts are not material, both individually and in aggregate and are included as a representation from management in the Letter of Representation (included at Appendix 2).

Changes to the Statements

9. During the audit the external auditors identified a number of changes to the accounts which the Council has made. These changes do not have any material impact on the Council's overall financial position as they relate to disclosure notes, Balance Sheet items or items which are reversed out of the Comprehensive Income and Expenditure Statement (CIES) under normal accounting practice.

10. The Statements attached at Appendix 1 include the adjustments that have been agreed to be made as a consequence of the audit. The changes included are:
- Accrual of a grant amounting to £5.9m which is shown in debtors and capital grants received in advance;
 - Reclassification of cash and cash equivalents amounting to £5m to short term investments; and
 - Added a note on “Going Concern” as this is a requirement of the auditors.

There were also some minor presentational and disclosure amendments which have been corrected and are below the reporting thresholds.

11. A verbal update will be given at Audit and Governance Committee if there are any subsequent changes that need to be made.

The Statements

12. The Statement of Accounts consists of the following:

- The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and the Section 151 Officer (The Head of Financial Services). The Head of Financial Services has to sign a statement that the Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended (page 6 and page 26).
- The Core Financial Statements (pages 21 to 27) and supplementary statements (pages 87 to 96) and group accounts (pages 97 to 124) incorporating:
 - a. A Movement in Reserves Statement (MIRS) - a statement used to adjust International Financial Reporting Standard accounting practice to Local Government proper practice to ensure the accounting changes do not impact on Council Tax and create any additional burden to the tax payer.
 - b. The Comprehensive Income and Expenditure Statement - a statement which incorporates all revenue income and expenditure relating to the year.
 - c. Expenditure and Funding Analysis - a statement that supports and provides more information on the Comprehensive Income and Expenditure Statement.
 - d. A Balance Sheet – a statement which records all the assets and liabilities at the Balance Sheet date of 31 March.
 - e. A Cashflow Statement - a statement that shows the inflows and outflows of cash during the year reconciled to the year end cash position.
 - f. The Housing Revenue Account - a statement which brings together all transactions during the year in relation to the management and maintenance of the Council’s 7,669 dwelling stock.
 - g. Collection Fund - a statement which brings together all transactions during the year relating to the collection of Business Rates and Council Tax income together with payments and receipts from Government and payments made

to the preceptors; the County Council, Police and Crime Commissioner (Thames Valley) and Parish Councils.

- h. Group Accounts - statements which reflect the Council's 50% interest with Grosvenor Developments Limited in a joint venture for the construction of dwellings at Barton, a 50% interest with Nuffield College in a joint venture for the regeneration of the West End area of Oxford, (OxWED) and the Council's wholly owned companies, the Housing Company Group, Oxford City Housing Ltd (OCHL), Oxford Direct Services Limited (ODSL) and Oxford Direct Services Trading Limited (ODSTL). The Council's share of the assets and liabilities of these entities are required to be incorporated into the Council's accounts.
- The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure (pages 127 to 144).

Summary of Information Found Within the Statements

13. Some Key information can be gained from the Statements:

Comprehensive Income and Expenditure Statement (CI&E) (page 23)

14. There is a surplus of £83.0m compared to a deficit of £58.0m in the previous year. However surplus is based on standard accounting practice and doesn't reflect the statutory basis under which the Council has to manage its finances. The actual position after applying the statutory adjustments is summarised on the Movement in Reserves Statement (page 25).

Movement in Reserves Statement (MiRS) (page 25)

15. The MiRS shows the movement between the accounting position shown in the CI&E and the overall balances available to the Council to meet future capital and revenue expenditure. The adjustments are shown in more detail in note 8 (pages 39 to 43) which are made that result in the allocation of the surplus between usable and unusable reserves.
16. The overall balances available to the Council to meet future capital and revenue expenditure are shown below:

	2019/20 £'000	2018/19 £'000	Variation £'000
General Fund Balance	3,622	3,622	-
Earmarked General Fund Reserves	40,384	35,056	5,328
Housing Revenue Account Balance	4,000	4,000	-
Earmarked Housing Revenue Account Reserves	32,091	26,119	5,972
Major Repairs Reserve	-	-	-
Capital Receipts Reserve	17,856	7,626	10,230
Capital Grants Unapplied Reserve	14,051	14,298	(247)
Total Usable Reserves	112,004	90,721	21,283

17. More detail regarding the earmarked reserves can be seen in note 9 on pages 44 to 46.

The Balance Sheet (page 26)

18. The Balance Sheet shows an increase in the net worth of the Council which can be summarised as below:

	2019/20 £'000	2018/19 £'000	Variation £'000
Value of Land and Property Owned	1,014,022	998,216	15,806
Cash Investments, Assets Held For Sale and Stock	93,427	101,986	(8,559)
Money the Council Owes	(408,087)	(471,873)	63,786
Money the Council is Owed	141,462	129,319	12,143
Net Worth of Council at 31st March	840,824	757,648	83,176

19. The main changes relate to the amounts owed by and owed to the Council, arising predominantly from a reduction in the pension fund liabilities. This increase is an actuarial estimate and is not available for use by the Council but could affect future pension contributions. Further details of the pensions information held can be found in notes 27d and 40 on pages 69 and 82 to 85 respectively.

20. The net worth is held in usable and unusable reserves:

	2019/20 £'000	2018/19 £'000	Variation £'000
Usable Reserves	(112,004)	(90,721)	(21,283)
Unusable Reserves	(728,820)	(666,927)	(61,893)
Total Reserves	(840,824)	(757,648)	(83,176)

21. Useable reserves are detailed above at paragraph 16 and more detail of unusable reserves can be found in note 27 on pages 67 to 71.

Group accounts

22. The Council owned or had interests in 5 operational entities as at 31st March 2020:

- Oxford City Housing Limited (OCHL)
- Oxford Direct Services Limited (ODSL)
- Oxford Direct Services Trading Limited (ODSTL)
- Oxford West End Development Limited (OxWED)
- Barton Oxford LLP

Two wholly owned companies became operational on 1st April 2018, Oxford Direct Services Limited and Oxford Direct Services Trading Limited. These two companies are incorporated into the Council's Group accounts from 2018/19.

The Council's share in these entities is shown below:

Wholly Owned

	ODSL 2019/20 £'000	ODSTL 2019/20 £'000	OCHL 2019/20 £'000	Sub-Total 2019/20 £'000
Council's share of Net Assets	13,887	107	15,516	29,510
Capital classified as a liability	(12,211)	-	(13,998)	(26,209)
Council's Share shown in the Group Accounts	1,676	107	1,518	3,301
	ODSL 2018/19 £'000	ODSTL 2018/19 £'000	OCHL 2018/19 £'000	Sub-Total 2018/19 £'000
Council's share of Net Assets	6,041	363	4,381	10,785
Capital classified as a liability	(4,538)	-	(4,327)	(8,865)
Council's Share shown in the Group Accounts	1,503	363	54	1,920

Joint Ventures and Total

	OxWED 2019/20 £'000	Barton LLP 2019/20 £'000	Sub-Total 2019/20 £'000	Total 2019/20 £'000
Council's share of Net Assets	8,883	-	8,883	38,393
Capital classified as a liability	(10,760)	-	(10,760)	(36,969)
Council's Share shown in the Group Accounts	(1,877)	-	(1,877)	1,424
	OxWED 2018/19 £'000	Barton LLP 2018/19 £'000	Sub-Total 2018/19 £'000	Total 2018/19 £'000
Council's share of Net Assets	9,310	-	9,310	20,095
Capital classified as a liability	(10,760)	-	(10,760)	(19,625)
Council's Share shown in the Group Accounts	(1,450)	-	(1,450)	470

23. The Council's share as at 31st March 2020 was a net asset of £1.424 million compared to a net asset of £0.470 million on 31st March 2019. Key elements of this net position relates to interest owing to the Council on loans that the Council has made to the entities and the dividends from the Oxford Direct Services Companies which were paid for the financial year ending 31st March 2019. No dividends have been declared or paid in respect of the financial year ending 31st March 2020. More detail can be found on pages 99 to 126 of the Statement of Accounts.

Letter of Representation

24. Attached at Appendix 2 is a draft Letter of Representation which the Committee is asked to approve. This is a letter from the Council's Section 151 Officer setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. Ernst and Young require this letter before they issue their opinion.

Financial Implications

25. These are covered within the main body of the report.

Legal Implications

26. In accordance with the Accounts and Audit Regulations 2015 (as amended), the accounts must be audited, approved and published by 30th November 2020.

Risk Implications

27. There are no risks associated with the recommendations in this report.

Communication

28. The Council's accounts are subject to external audit by Ernst & Young LLP and within the period of audit, from Thursday 18th June 2020 to Wednesday 29th July 2020 between 9.30am and 4.30pm any person could inspect the accounts of the Council for the year ended 31st March 2020 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts). They could also make copies of the accounts and documents.

29. During the same period a local government elector for the area of the Council or their representative could make an appointment to ask the auditor questions about the accounts. In addition they could object to the Council's accounts, asking that the auditor issue a report in the public interest or which is contrary to law (under section 28 of the Local Audit and Accountability Act 2014). Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address provided on the Council's website.

30. There were no objections lodged.

31. The Audited Statement of Accounts for 2019/20 will be published on the Council's website after approval along with a notice confirming the conclusion of the audit and alongside the Annual Governance Statement for the year.

Name and contact details of author:-

Name: Bill Lewis

Job title: Financial Accounting Manager

Service Area / Department: Financial Services,

Tel: 01865 252607 e-mail: blewis@oxford.gov.uk

Background papers: None

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Oxford OX1 1DS

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Maria Grindley
Ernst & Young LLP
Apex Plaza
Forbury Rd
Reading
RG1 1YE

Our ref: Final accounts 2019-20
Your ref: Letter of rep 2019-20

Date : 24th November 2020

Dear Maria,

Letter of Representation 2019/20: Audit of Group and Council financial statements

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

We understand that the purpose of your audit of our consolidated and 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, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and 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 Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 for the Group and 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, which relate to judgemental differences in IAS 19 assets (£1.467 million) and liabilities (£0.56 million) which you identified 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. We have not corrected these differences identified by and brought to our attention by the auditor because of the immateriality of the values and the cost implications to the statements overall and due to the fact that they relate to a difference in estimates between the pension fund actuaries and your actuaries.

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

1. We acknowledge that we are responsible for determining that the Group and 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 consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any 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 consolidated and 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 Group and the Council, and committees held through the year to the most recent meeting of the Cabinet on the following date: 11 November 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and 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 consolidated and 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 Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter dated 07 August 2019 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate

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 consolidated and 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 to litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. 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 consolidated and council financial statements or notes thereto.

F. Group Accounts

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

G. Other information

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

H. Going Concern

1. Note 45 to the consolidated and council financial statements discloses all the matters of which we are aware that are relevant to the Group and 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. The Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and council financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

J. Reserves

1. We have properly recorded or disclosed in the consolidated and 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 valuation assertion and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and 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. Estimates – Property, Plant and Equipment and Pensions

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018-19.
2. We confirm that the significant assumptions used in making the Property, Plant and Equipment and Pensions estimates appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic on Oxford City Council and Group and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
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

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

Nigel Kennedy
Head of Financial Services – Section 151 Officer

James Fry
Chair of Audit and Governance Committee

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 Corais

Councillor Simmons

Councillor Munkonge

Councillor Rush

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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