

# Agenda

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## Audit and Governance Committee

This meeting will be held on:

Date: **Wednesday 20 October 2021**

Time: **6.00 pm**

Place: **Council Chamber - Oxford Town Hall**

**For further information** please contact:

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

☎ 01865 252275

✉ [democraticservices@oxford.gov.uk](mailto:democraticservices@oxford.gov.uk)

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## **Committee Membership**

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

Councillor James Fry (Chair)

Councillor Chewe Munkonge (Vice-Chair)

Councillor Nigel Chapman

Councillor Tiago Corais

Councillor Duncan Hall

Councillor Dr Amar Latif

Councillor Roz Smith

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

	<b>Pages</b>
<b>1 Apologies for absence and substitutions</b>	
<b>2 Declarations of Interest</b>	
<b>3 Risk Management - Quarter 2 - 30 September 2021</b>	7 - 20
<b>Report of:</b> the Head of Financial Services	
<b>Purpose of report:</b> to update the Committee on both corporate and service risks as at 30 September 2021	
<b>Recommendation:</b> that the Committee reviews the risk management report and notes its contents.	
<b>4 External Audit: Draft Audit results report for the year ending 31 March 2021</b>	21 - 70
<b>Report of:</b> the external auditor EY	
<b>Purpose of report:</b> to inform the Committee of outcome of the audit of the accounts.	
<b>Recommendation:</b> to discuss and note the report.	
<b>5 Statement of accounts for the Year Ending 31 March 2021</b>	
<b>Report of:</b> the Head of Financial Services <b>[report and Statement of Accounts to follow]</b>	
<b>Purpose of report:</b> 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.	
<b>Recommendations:</b> that the Committee:	
1. approve the audited 2020/21 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.	

## 6 Annual Governance Statement 2020/21

71 - 110

**Report of:** the Head of Law & Governance

**Purpose of report:** to present the 2020/21 Annual Governance Statement for consideration and approval.

**Recommendation:** that the Audit & Governance Committee resolves to approve the Annual Governance Statement for the 2020/21 financial year

## 7 Avoiding Bribery Fraud and Corruption Policy update

**Report of:** the Head of Financial Services [report to follow]

**Recommendation:** contained in the report

## 8 Internal Audit Progress Report October 2021

**Report of** the Internal Auditor BDO [report to follow]

**Purpose of report:** to inform the Committee on progress made against the Internal Audit work plan and on the outcome of their reviews (including within the executive summary reports on Business Continuity and Disaster Recovery and Data Analytics).

**Recommendation:** to discuss and note the report.

## 9 Internal Audit Follow Up Report October 2021

**Report of** the Internal Auditor BDO [report to follow]

**Purpose of report:** to inform the Committee on the on the implementation of the recommendations from their previous internal audit reviews.

**Recommendation:** to discuss and note the report.

## 10 Appointment of External Auditors 2023/24 to 2027/28

111 -  
126

**Report of:** the Head of Financial Services

**Purpose of report:** to consider the process to appointment external auditors for the next procurement period.

**Recommendation:** the Committee is asked to

1. consider the report to Council (Appendix 1) and
2. recommend to Council that the Council opt in to the national procurement of external auditors.

**11 Minutes of the previous meeting**

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**Recommendation:** to approve the minutes of the meeting held on 29 July 2021 as a true and accurate record.

**12 Dates and times of meetings**

The Committee is scheduled to meet at 6.00pm on the following dates:

27 January 2022

11 April 2022

## **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.

**To:** Audit and Governance Committee  
**Date:** 20 October 2021  
**Report of:** Head of Financial Services  
**Title of Report:** Risk Management Reporting as at 30 September 2021

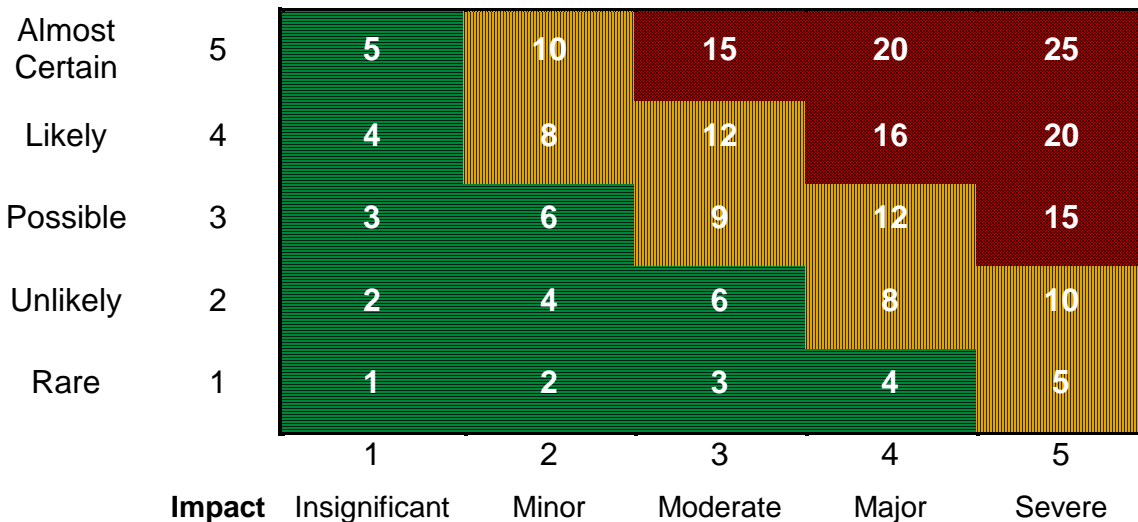
<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To update the Committee on both corporate and service risks as at 30 September 2021
<b>Key decision:</b>	No
<b>Cabinet Member with responsibility:</b>	Councillor Ed Turner, Cabinet Member for Finance and Asset Management
<b>Corporate Priority:</b>	
<b>Policy Framework:</b>	
<b>Recommendations:</b> that the Committee reviews the risk management report and notes its contents	

<b>Appendices</b>	
Appendix A	Corporate Risk Register – shortened version
Appendix B	Corporate Risk Register – including controls

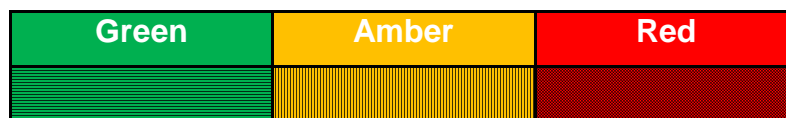
## Risk Scoring Matrix

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

7. The Audit and Governance Committee receive information on risk on a quarterly basis. The Council has changed the system that it uses to record risks and so the risk appendix has changed in format. The Corporate Risk Register (without controls listed) is attached at Appendix A as at 30 September 2021. The Corporate Risk Register (including controls) is attached at Appendix B as at 30 September 2021.



## Corporate Risk Register – 30 September 2021

8. The number of Red risks has remained at three.
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. Despite some positive trends, the Risk still remains at Red. Issues relating to inflation, labour market supply, global economy, COVID levels locally, border arrangement, local business support being scaled back and business rates commencing suggests that there are still numerous risks.
  - **Negative Impacts of Climate Change** - The Council has made action on climate change one of its corporate priorities and has stepped up its programme of action, partnering and influencing to seek to mitigate social health and environmental impacts on the City. The Oxford Flood Alleviation Scheme (OFAS) scheme continues to progress. Work is ongoing through Zero Carbon Oxfordshire Partnership (ZCOP) to reduce carbon emissions across the City. Tighter air quality emission standards have been recommended by the World Health Organisation (WHO) and may be considered for adoption by the UK Government
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 2020/21	Q4 2020/21	Q1 2021/22	Q2 2021/22
Red	3	5	3	3
Amber	7	7	11	10
Green	2	2	0	1
<b>Total risks</b>	<b>12</b>	<b>12</b>	<b>14</b>	<b>14</b>

### Service Risk Registers – 30 September 2021

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 2020/21	Q4 2020/21	Q1 2021/21	Q2 2021/22
Red	4	5	9	8
Amber	34	49	48	49
Green	14	14	8	10
<b>Total risks</b>	<b>52</b>	<b>65</b>	<b>65</b>	<b>67</b>
New risks in quarter	2	13	0	2
Closed	0	0	0	0

14. The number of Red risks has reduced to eight.

15. Details of the Red risks are as follows:

- **Community Services** - this relates to Budget and Income from Event Hire. More flexibility is being given to event organisers regarding lead in times required to process events and this includes being flexible in respect of fee categories where necessary in order to support event organisers put on events during this difficult roadmap and economic time but only where safe and legal to do so.
- **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.

- **Planning** – this relates to delays to Council projects caused by outside agencies. Greater collaboration is in place on key projects with a proactive approach to intervention and communications.
- **Planning** – this relates to Government legislation resulting in substantial changes to the planning system leading to the need to redesign processes and procedures.
- **Regeneration & Major Projects** – this relates to Health & Safety in relation to poor health and safety compliance due to inconsistent levels of experience and training. A Health & Safety training protocol has been developed which is being rolled out to all Project Managers.
- **Regeneration & Major Projects** – this relates to Support Team Capacity which can cause delays to projects. Resource pressures are extremely high. Work is being progressed to look at the ability of support services to capitalize time against projects to fund the resources necessary.
- **Regulatory Services** – this relates to Public Health Protection. The rise in Covid-19 cases remains high with an increase of 51% in Oxford last week. Winter approaching with anticipated pressures.
- **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. Most staff continue 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. St Aldates Chambers Customer Service Centre has re-opened offering residents' face-to-face meetings with staff. To ensure the protection of both staff and customers, significant Covid-19 health and safety measures have been put in place to ensure Covid-secure meetings.
17. The Councils plans for Restart, recovery and renewal is an ongoing process that helps anticipate, prepare, and respond to and recover 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 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.

### **Risk Management**

**18.** In order to monitor and ensure that there is a clear and consistent approach to the management of risk across the organisation, between services and between corporate and service levels, the Risk Management Group will be implementing the following action plan during 2021:-

1. Review of Corporate Risk Register - Risk Management Group (RMG) and Operational Delivery Group (ODG) Q1 2021
2. Sample check review of risks in connection with projects – RMG
3. Sample check review of service risks – RMG
4. Review of risk in companies and joint ventures - RMG
5. Review all Red Risks on a quarterly basis - RMG

Actions 2 to 4 are reviewed over the four meetings in the year in order to allow sufficient time for each area.

### **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.**

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Ref	Title	Risk description	Opp/ threat	Cause	Consequence	Owner	Gross Impact	Gross Probability	Current Impact	Current Probability	Target Impact	Target Probability	Comments	Date Added
CE001	Customer Experience Strategy 2019-2021	Capacity to deliver	T	Insufficient resources to deliver projects, and lack of prioritisation	Strategy not delivered to schedule	Helen Bishop	4	5	3	3	2	3		31/03/21
CE002	Customer Experience Strategy 2019-2021	Delays in other related projects	T	Delays or non-delivery of customer-facing and digital improvements	Strategy not delivered to schedule	Helen Bishop	4	4	3	3	2	3		31/03/21
CRR-001	Economic Growth	Local, national or international factors adversely affect the economic growth of the City	T	New trading and immigration arrangements with the EU from 1 January 2021. COVID19 lockdowns will continue to prevent and restrict economic activity through much of 2021.	Post-transition, this may affect vehicle manufacturing, logistics and wider import and export demand or capacity, and lead to business relocation/divestment decisions in extreme cases. It's likely certain sectors may have labour shortages (health, logistics, research, technical skills). It is possible there will be some job losses in the sectors affected by trade issues. COVID19 and Brexit related supply issues will hit consumption spending further, affecting the viability of business inc. restaurants, travel and tourism, events, creative and cultural sectors. Unemployment rises of the last 18 months and long-term furlough may induce labour market scarring, slowing re-employment and lowering participation rates. This may affect certain resident groups more (low-skilled, carers, young). Workers who lose jobs may not have the skills for new ones. Ongoing fiscal challenges may reduce public sector investment in infrastructure and services.	Tom Bridgman	5	4	5	5	4	4		01/06/18
CRR-002	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	Nigel Kennedy	4	3	4	3	4	2	Budget process is now underway, with submission made by HoS and meeting with Directors and CEO being held	01/06/18
CRR-003	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. Increased uncertainty in the housing market linked to unknown speed of pandemic recovery and Brexit.	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	Stephen Clarke	5	4	5	4	4	3		01/06/18
CRR-004	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	- Proximity to London - High cost of housing - Congested infrastructure and transport links	Reduced capacity to deliver, especially in high profile projects	Helen Bishop	3	4	3	3	2	3		01/06/18
CRR-005	Resilience of Trading Models	The Council Companies are not successful and fail to deliver outputs and financial returns	T	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	Reputational damage of failing companies Reduced financial returns to the Council impacting on MTFP Lack of delivery of dividends to the Council	Nigel Kennedy	4	3	4	3	3	3		01/06/18
CRR-006	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. The election of the Fair Deal Alliance administration at Oxfordshire County Council reduces the risk that the unitary bid is reactivated. However, the appointment of a new Secretary of State for CLG creates some uncertainty over the Government's policy position on unitaries going forwards.	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	Mish Tullar	5	3	4	2	4	1	The election of the Fair Deal Alliance administration at Oxfordshire County Council reduced the risk that the unitary bid is reactivated. However, the appointment of a new Secretary of State for CLG creates some uncertainty over the Government's policy position on unitaries going forwards.	01/06/18
CRR-007	Business Continuity Planning and Disaster Recovery including ICT Recovery Plan	There is an adverse impact on continuous business operation due to unplanned events.	T	- Disruptive event hindering access to building - Disruptive event affecting full functionality of building. - Major technology incident (physical or cyber).	Non-delivery of business operation	Helen Bishop	3	3	3	3	3	2		01/06/18

Ref	Title	Risk description	Opp/ threat	Cause	Consequence	Owner	Gross Impact	Gross Probability	Current Impact	Current Probability	Target Impact	Target Probability	Comments	Date Added
CRR-012	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.	Ian Brooke	3	3	3	2	3	2	Ref. Agreement for the development, management and operation of leisure services;  Fusion are focused on embedding their new delivery model; which in summary is a reduction of 48 staff in the Oxford contract, a concierge, cashless systems, they have exited their offices, reduced support services, alongside implementing COVID safe procedures.  The past months have remained difficult, continuing to try to balance Fusion's focus on safely embedding their new delivery model alongside the increased demands from the decarbonisation programme. Alongside some of Fusions front line staff having to self-isolate for a periods of time.  Fusion are still finding it challenging to recruit staff, which is also apparent in other sectors such as hospitality. When recruited, there is a requirement for safeguarding checks, induction and mandatory training to be completed prior to employees operationally starting duties.	01/06/18
CRR-008	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.	Mish Tullar	4	3	4	4	3	3	The OFAS scheme continues to progress slowly for implementation by around 2026. Work is ongoing through ZCOP to reduce carbon emissions across the city. The ZEZ Pilot is due to start in February 2022. Tighter air quality emissions standards have been advised by the WHO - and may be considered for adoption by the UK Government	01/06/18
CRR-009	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	Tom Bridgman	5	2	5	2	5	2		01/06/18
CRR-010	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	Helen Bishop	3	4	3	3	3	2		01/06/18
CRR-011	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	Stephen Clarke	4	4	4	3	3	2		01/06/18



Ref	Title	Risk description	Oppl/ threat	Cause	Consequence	Owner	Gross Impact	Gross Probability	Current Impact	Current Probability	Target Impact	Target Probability	Comments	Date Added	Control description	Due date	Control Status	Progress	Action Owner
CE001	Customer Experience Strategy 2019-2021	Capacity to deliver	T	Insufficient resources to deliver projects, and lack of prioritisation	Strategy not delivered to schedule	Helen Bishop	4	5	3	3	2	3		31/03/21					
CE001															Develop meaningful measures of success and identify benefits to be realised	28/02/20	Completed	100%	Helen Bishop
CE001															Agree corporate governance, to include ownership at CMT & ODG and Transformation Board	31/10/21	In Progress	80%	Helen Bishop
CE002	Customer Experience Strategy 2019-2021	Delays in other related projects	T	Delays or non-delivery of customer-facing and digital improvements	Strategy not delivered to schedule	Helen Bishop	4	4	3	3	2	3		31/03/21					
CE002															Regular monitoring meetings and escalation were appropriate	31/10/21	In Progress	80%	Helen Bishop
CRR-001	Economic Growth	Local, national or international factors adversely affect the economic growth of the City	T	New trading and immigration arrangements with the EU from 1 January 2021. COVID19 lockdowns will continue to prevent and restrict economic activity through much of 2021.	Post-transition, this may affect vehicle manufacturing, logistics and wider import and export demand or capacity, and lead to business relocation/divestment decisions in extreme cases. It's likely certain sectors may have labour shortages (health, logistics, research, technical skills). It is possible there will be some job losses in the sectors affected by trade issues. COVID19 and Brexit related supply issues will hit consumption spending further, affecting the viability of business inc. restaurants, travel and tourism, events, creative and cultural sectors. Unemployment rises of the last 18 months and long-term furlough may induce labour market scarring, slowing re-employment and lowering participation rates. This may affect certain resident groups more (low-skilled, carers, young). Workers who lose jobs may not have the skills for new ones. Ongoing fiscal challenges may reduce public sector investment in infrastructure and services.	Tom Bridgman	5	4	5	5	4	4		01/06/18					
CRR-001															Deliver Oxford Economic Strategy & City Centre Vision Action Plan. Stimulate recovery through targeted measures. Work with Economic Growth Board & City Centre Task Force. Engage with businesses to understand long term impact of COVID & EU Transition	01/04/23	In Progress	55%	Matthew Peachey
CRR-002	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	Nigel Kennedy	4	3	4	3	4	2	Budget process is now underway, with submission made by HOS and meeting with Directors and CEO being held	01/06/18					
CRR-002															Ensure companies are on schedule to deliver returns to Council	31/03/22	In Progress	50%	Nigel Kennedy
CRR-002															Review of transformation savings	31/03/22	In Progress	50%	Nigel Kennedy
CRR-002															Regular monitoring of revenue and capital budgets and ensuring savings and increased income are on target	31/03/22	In Progress	60%	Nigel Kennedy
CRR-002															Start budget setting early and drive savings in conjunction with members with a full budget reset in December	31/03/22	In Progress	70%	Nigel Kennedy
CRR-002															Expenditure Restraint	31/03/22	Ongoing	100%	Nigel Kennedy
CRR-002															Keep abreast of changes to Business rates reforms and Fair funding	31/03/22	Ongoing	100%	Nigel Kennedy
CRR-002															Lobby Government	31/03/22	Ongoing	100%	Nigel Kennedy
CRR-003	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; Increased uncertainty in the housing market linked to unknown speed of pandemic recovery and Brexit.	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	Stephen Clarke	5	4	5	4	4	3		01/06/18					
CRR-003															Continue to take forward opportunities to purchase 5106 dwellings through the HRA.	31/03/22	Completed	100%	Dave Scholes
CRR-003															Maximise access to alternative funding programmes - Homes for England, HIF and Housing Growth fund	31/03/22	In Progress	75%	Dave Scholes
CRR-003															Continuing to work with Registered Provider partners to enable supply of more affordable housing	31/03/22	In Progress	75%	Dave Scholes
CRR-003															Implement robust programme and project management arrangements for the Affordable Housing Supply programme, including working as client for the OCHL programme.	31/03/22	Ongoing	75%	Dave Scholes
CRR-003															Housing delivery test in Planning ongoing. Deliver the housing delivery test action plan in Planning.	31/03/22	Completed	100%	Rachel Williams

Ref	Title	Risk description	Oppl/ threat	Cause	Consequence	Owner	Gross Impact	Gross Probability	Current Impact	Current Probability	Target Impact	Target Probability	Comments	Date Added	Control description	Due date	Control Status	Progress	Action Owner
CRR-003															Provide a clear and robust response to the governments planning changes through the consultation, changes which would significantly reduce S106 contributions in the city.	31/10/20	Completed	100%	Rachel Williams
CRR-003															Delivery of regeneration schemes, including Blackbird Leys.	31/03/23	In Progress	40%	Stephen Clarke
CRR-003															Purchase of Council dwellings from Barton Park development.	31/03/25	In Progress	50%	Stephen Clarke
CRR-003															Deliver OCHL business plan to increase scale and speed of delivery.	31/03/22	In Progress	70%	Stephen Clarke
CRR-003															Revaluate financial appraisals of development sites and make any adjustment to ensure continued viability.	31/03/22	In Progress	80%	Stephen Clarke
CRR-004	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	- Proximity to London - High cost of housing - Congested infrastructure and transport links	Reduced capacity to deliver, especially in high profile projects	Helen Bishop	3	4	3	3	2	3		01/06/18					
CRR-004															Develop and implement improved recruitment processes [incl. use of social media, 'staff stories' and other promotional material]	31/03/22	In Progress	25%	Justin Thome
CRR-004															Develop employer brand	31/03/22	In Progress	25%	Justin Thome
CRR-004															Develop greater understanding of reasons for staff leaving and obtain insight into their 'work experience' whilst at council	31/03/22	In Progress	40%	Justin Thome
CRR-004															Development of 'talent pipeline' including work experience, apprenticeships, graduate placement, sponsoring students through qualification, etc.	31/03/22	In Progress	40%	Justin Thome
CRR-004															Review of employment offer for hard to fill and specialist roles [pay, flexible working practices, employee benefits]	31/03/22	In Progress	40%	Justin Thome
CRR-005	Resilience of Trading Models	The Council Companies are not successful and fail to deliver outputs and financial returns	T	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	Reputational damage of failing companies; Reduced financial returns to the Council impacting on MTFP; Lack of delivery of dividends to the Council	Nigel Kennedy	4	3	4	3	3	3		01/06/18					
CRR-005															Update and improve ODS Operating Model	31/03/22	In Progress	30%	Nigel Kennedy
CRR-005															Delivery of Improved systems	31/03/22	In Progress	50%	Nigel Kennedy
CRR-005															Governance over all joint ventures and companies	31/03/22	In Progress	50%	Nigel Kennedy
CRR-005															Strategic Review of OCHL	31/03/22	In Progress	50%	Nigel Kennedy
CRR-005															Review dividend policy - OCHL	31/03/22	In Progress	70%	Nigel Kennedy
CRR-005															Internal audit of companies review by BDO	31/03/22	In Progress	80%	Nigel Kennedy
CRR-005															Presentation of updated business plan on a quarterly basis to shareholder - ODS & OCHL shareholders	31/03/22	In Progress	80%	Nigel Kennedy
CRR-005															Reporting to shareholder for Barton	31/03/22	Ongoing	100%	Nigel Kennedy
CRR-005															Reporting to shareholder for Oxwed	31/03/22	Ongoing	100%	Nigel Kennedy
CRR-005															Establish robust system of shareholder and scrutiny meetings for wholly owned companies	31/03/22	In Progress	75%	Susan Sale
CRR-006	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. The election of the Fair Deal Alliance administration at Oxfordshire County Council reduces the risk that the unitary bid is reactivated. However, the appointment of a new Secretary of State for CLG creates some uncertainty over the Government's policy position on unitaries going forwards.	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 the growth deal and partnership working	Mah Tullar	5	3	4	2	4	1	The election of the Fair Deal Alliance administration at Oxfordshire County Council reduced the risk that the unitary bid is reactivated. However, the appointment of a new Secretary of State for CLG creates some uncertainty over the Government's policy position on unitaries going forwards.	01/06/18					

Ref	Title	Risk description	Oppl/ threat	Cause	Consequence	Owner	Gross Impact	Gross Probability	Current Impact	Current Probability	Target Impact	Target Probability	Comments	Date Added	Control description	Due date	Control Status	Progress	Action Owner
CRR-006															Ongoing partnership work through the Growth Board, bilaterally with our neighbours and across the Ox-Cam Arc	13/05/22	In Progress		Mish Tullar
CRR-006															Build understanding of new Government administration's view on devolution/unitary, Growth Deal, Ox-Cam Arc & seek levers to influence around Oxford Priorities. Maintain focus on delivering growth agenda & build consensual partnership governance	31/03/22	In Progress	90%	Mish Tullar
CRR-007	Business Continuity Planning and Disaster Recovery including ICT Recovery Plan	There is an adverse impact on continuous business operation due to unplanned events.	T	- Disruptive event hindering access to building - Disruptive event affecting full functionality of building. - Major technology incident (physical or cyber).	Non-delivery of business operation	Helen Bishop	3	3	3	3	3	2		01/06/18					
CRR-007															Desktop review of BCP	31/03/23	Not yet started	0%	Bill Lewis
CRR-007															Re-establish Risk Management Group	20/02/19	Completed	100%	Bill Lewis
CRR-007															All Services to review and sign-off their BC plans to ensure up-to-date.	31/03/22	Ongoing	100%	Bill Lewis
CRR-007															CMT to approve software priority restoration list from all Services BC plans.	30/06/19	Completed	100%	Mike Newman
CRR-007															Include ICT systems outages in business continuity plan tests.	01/10/18	Completed	100%	Mike Newman
CRR-007															Assure ICT backup and restore capabilities	30/09/18	Ongoing	100%	Rocco Labellarte
CRR-007															Review existing ICT recovery plan to ensure up-to-date.	30/09/18	Ongoing	100%	Rocco Labellarte
CRR-007															Implement alternative software to CITRIX to allow homeworking for own user devices	31/03/22	Completed	100%	Rocco Labellarte
CRR-012	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.	Ian Brooke	3	3	3	2	3	2	Ref. Agreement for the development, management and operation of leisure services; Fusion are focused on embedding their new delivery model; which in summary is a reduction of 48 staff in the Oxford contract, a concierge, cashless systems, they have exited their offices, reduced support services, alongside implementing COVID safe procedures. The past months have remained difficult, continuing to try to balance Fusion's focus on safely embedding their new delivery model alongside the increased demands from the decarbonisation programme. Alongside some of Fusions front line staff having to self-isolate for a periods of time. Fusion are still finding it challenging to recruit staff, which is also apparent in other sectors such as hospitality. When recruited, there is a requirement for safeguarding checks, induction and mandatory training to be completed prior to employees	01/06/18					
CRR-007															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.	31/03/22	In Progress	60%	Ian Brooke
CRR-008	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.	Mish Tullar	4	3	4	4	3	3	The OFAS scheme continues to progress slowly for implementation by around 2026. Work is ongoing through ZCCP to reduce carbon emissions across the city. The ZEZ Pilot is due to start in February 2022. Tighter air quality emissions standards have been advised by the WHO - and may be considered for adoption by the UK	01/06/18					
CRR-008															Oxford City Council's Carbon Management Plan, our work delivered through the Zero Carbon Oxford Partnership, and ongoing work around flood mitigation and treeplanting	31/03/24	In Progress	30%	Mish Tullar
CRR-008															Partnership with the EA led programme to deliver the Oxford Flood Alleviation Scheme	31/03/22	In Progress	30%	Mish Tullar
CRR-008															Control measures relating to advocacy, clear communication, negotiation over our land assets, in particular at Seacourt and Redbridge Park and Ride sites (Seacourt extension)	30/12/22	Ongoing	50%	Mish Tullar

Ref	Title	Risk description	Oppl	threat	Cause	Consequence	Owner	Gross Impact	Gross Probability	Current Impact	Current Probability	Target Impact	Target Probability	Comments	Date Added	Control description	Due date	Control Status	Progress	Action Owner	
CRR-009	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	Tom Bridgman	5	2	3	2	5	2		01/06/18						
CRR-009																Work with partners, particularly the Police and County Council, on mitigation measures	31/03/22	In Progress	50%	Richard J Adams	
CRR-009																Council's emergency plan includes link to Crowded Spaces Evacuation Plan	31/03/22	Ongoing	100%	Imogen Hughes	
CRR-009																Emergency plans for Council-operated buildings include dealing with a terrorist attack (including building lock-down procedure)	31/03/22	Ongoing	100%	David Hunt	
CRR-009																Physical barriers in place - temporary and permanent	31/03/22	Ongoing	50%	Richard J Adams	
CRR-010	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	Helen Bishop	3	4	3	3	3	2		01/06/18						
CRR-010																Ensure any security breaches are dealt with appropriately, in line with policies.	31/03/22	Ongoing	100%	Helen Bishop	
CRR-010																Ensure PSN accreditation is achievable. Allocate funding as necessary to ensure remedial work can be delivered.	31/03/22	Ongoing	100%	Nigel Kennedy	
CRR-010																Carry out PSN remedial work.	31/03/22	Ongoing	100%	Rocco Labellarte	
CRR-010																Ensure cyber defences (firewalls, anti-virus, anti-malware, password protection, two-factor authentication) is in place	31/03/22	Ongoing	100%	Rocco Labellarte	
CRR-010																Ensure cyber security policies are in place.	31/03/22	Completed	100%	Rocco Labellarte	
CRR-011	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	Stephen Clarke	4	4	4	3	3	2		01/06/18						
CRR-011																Following CDM audit, implement revised and strengthened governance arrangements.	31/03/22	In Progress	50%	Nick Brown	
CRR-011																Ongoing monitoring and surveillance of property to ensure compliance.	31/03/22	In Progress	60%	Stephen Clarke	
CRR-011																Continued progress with tower blocks, ensuring remaining planned work is complete, including at Hodmore, and continued monitoring to identify and implement any further improvements needed.	31/03/22	In Progress	80%	Stephen Clarke	
CRR-011																Health & Safety team have been allocated key areas of responsibilities and are progressing the area highlighted from FRA and Asbestos surveys are rectified to ensure OCC are fully compliant.	31/03/22	In Progress	80%	Stephen Clarke	

Oxford City Council &  
Group  
Draft Audit results  
report

Year ended 31 March 2021

11 October 2021

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**EY**

Building a better  
working world

Agenda Item 4

11 October 2021



Oxford City Council  
Town Hall  
St Aldate's Chambers  
Oxford  
OX1 1BX

Dear Audit & Governance Committee Members

2020-21 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit & Governance Committee. We will update the Audit & Governance Committee at its meeting scheduled for 20 October 2021 on further progress to that date and explain the remaining steps to the issue of our final opinion.

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

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

This report provides an update to the initial draft that we provided to the July Committee. For ease of use we have added shading to all changes made to that draft report. We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 20 October 2021.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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

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

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



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# 01 Executive Summary



## Executive summary

### Scope update

Changes in materiality - In our audit planning report tabled at the 22 April Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our planning materiality measure of 2% of gross expenditure on provision of services and performance materiality at 75% of planning materiality:

Materiality - Council	Audit Plan	Final
Planning	£4.1 m	£ 5.1m
Performance	£3.1 m	£ 3.8 m
Reporting	£0.2 m	£ 0.3 m
Materiality - Group	Audit Plan	Final
Planning	£4.7 m	£ 5.6 m
Performance	£3.5 m	£ 4.2 m
Reporting	£0.23 m	£ 0.3 m

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

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

# Executive summary

## Scope Update

### Changes to reporting timescales

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

### Additional audit procedures as a result of Covid-19

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

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

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and

26 Agree IPE to scanned documents or other system screenshots.

## Status of the audit

Our audit work in respect of the Council and Group opinion is well progressed.

There have been delays in getting the required information to us in a number of cases, some from third parties and some from the Council's team, which has in turn delayed our ability to progress the audit as quickly as we would have liked. Whilst we recognise that there are good reasons for this we will include this in our post-audit wash up discussion with officers to ensure we can have a smoother audit process in the coming year.

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

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

## Executive summary

### Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

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### Status of the audit – Value for Money

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

## Executive summary

### Audit differences

As at the date of this report, we are not reporting any audit mis-statements greater than our reporting thresholds of £3.8 m & £4.2 m for the Council and the Group respectively. We will provide an update at the Audit & Governance Committee meeting and a final position at the conclusion of the audit.

There are currently no uncorrected mis-statements greater than our reporting threshold for uncorrected mis-statements of £0.3 m. We recommended that the Council undertake an updated valuation of an asset which has now been provided and is under review.

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

### Other reporting issues

We have not yet reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We will complete this review and report back any findings to the September Audit & Governance Committee meeting.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. We have been notified that the final guidance supporting the WGA submission for 2020-21 will be available in December 2021. This work will be completed once this is available and we will provide an update on timing for the WGA at the October Audit & Governance Committee meeting.

We have no other matters to report.



# Executive summary

## Areas of audit focus

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

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

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

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

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## Control observations

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

## Independence

In our Audit Plan presented at the 22 April Audit & Governance Committee meeting we did not identify any independence issues.

Please refer to Section 9 for our update on Independence.

## Executive summary

### Significant Risks and Areas of audit focus

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

Significant risk	Findings & conclusions
Misstatements due to fraud or error	Our work on this area is substantially complete and as at the date of this report we have found no indications of management override of controls.
Incorrect capitalisation of revenue expenditure	Our work on this area is substantially complete and as at the date of this report we have found no instances of incorrect capitalisation of revenue expenditure.
Valuation of land and buildings	Our work on valuations is well progressed and at the time of writing this report, we are working through information from the internal and external valuers. Our internal valuation specialists have reviewed a sample of 9 assets across various asset types. We have received their final report and can confirm that they identified one significant finding related to covered market valuation which has been amended by the Council - please see details in Section 4. We will report any material adjustments, should these arise, in our final results report in the next audit committee.

## Executive summary

### Significant Risks and Areas of audit focus

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

Other area of audit focus	Findings & conclusions
Accounting for Covid-19 related Grant Expenditure	We experienced delays in receiving the requested information and at the time of writing this report we have recently received the workings highlighting the treatment of each grant as agent or principal. We will compare this with the wider benchmarking exercise across our clients and consult with our technical team to conclude on any outliers.
Pension liability 31	We have agreed the Authority's pension liability disclosures to the actuarial report and are working through our pensions advisory team's review of work carried out by PwC (Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors). Due to recent additional requirements as a result of the updated ISA 540, we have also requested additional information for further reasonableness checks on gross liability. Our EY Pensions specialists were able to confirm that the Gross Liability was within an acceptable limit within a variance of < 1.5%. We have now received the IAS19 assurance letter from the auditor of the Oxfordshire Pension Fund which will enable us to conclude on this area of audit focus. We are assessing the findings in the assurance letter for any associated impact on Oxford City Council and will provide an update on this at the Audit & Governance Committee meeting.
Going concern	The draft accounts included a detailed disclosure on going concern. We have received management's assessment of going concern along with details of financial modelling and forecasts prepared by the Council however we are also awaiting inputs from the component auditor for the overall Group position. We will provide an update on our consideration and final conclusion of this matter at the Audit & Governance Committee meeting.
Group Consolidation	Our work is ongoing in this area as we are currently waiting for component auditors to finalise the audit of subsidiary accounts. We have completed a review of the work undertaken by Wenn Townsend on OxWED and we have completed an initial review with Mazars to review the work completed on ODS and OCHL. However we have been made aware that the work on ODS and OCHL is still ongoing at the time of writing this report and we will provide an update at the meeting.



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## 02 Areas of Audit Focus







# Areas of audit focus

## Significant risk

### Incorrect capitalisation of revenue expenditure

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#### What is the risk?

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

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

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

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

#### What judgements are we focused on?

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

#### What did we do?

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

#### What are our conclusions?

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

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

Our testing of capital additions is substantially complete and our testing to date has not identified any instances where expenditure had been inappropriately capitalised.



## Areas of audit focus

# Significant risk

### Risk of error in the valuation of land and buildings

#### What is the risk?

The fair value of Property, Plant and Equipment and Investment Properties represent significant balances in the Authority's accounts, totalling approximately £886 million and are subject to valuation changes, impairment reviews and depreciation charges. In addition, the Council also has material balances on Investment Property at £126 million which are also subject to annual valuations.

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

#### What judgements are we focused on?

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

- harder to value assets – such as 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:

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

We noted no issues from the above procedures.

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



## Areas of audit focus

### Significant risk (cont'd)

#### Risk of error in the valuation of land and buildings

##### What is the risk?

The fair value of Property, Plant and Equipment and Investment Properties represent significant balances in the Authority's accounts, totalling approximately £886 million and are subject to valuation changes, impairment reviews and depreciation charges. In addition, the Council also has material balances on Investment Property at £126 million which are also subject to annual valuations.

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

##### What judgements are we focused on?

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

- harder to value assets – such as 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?

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

- testing a sample of Property, Plant and Equipment and Investment Property assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct. We have a number of queries where we are awaiting responses from the internal valuer; and
- reviewing assets that are not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated;

We noted that the value of the covered market was outside the expected range based on a range developed by our internal valuations experts. This has been revalued by the Council and we are in the process of reviewing the amended valuation. Apart from this asset, we have not noted any material differences in valuation at the time of writing this report.

We will report any other findings from our work at the Audit & Governance Committee meeting.



## Areas of audit focus

### Other areas of audit focus

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

What is the risk/area of focus?	What did we do?
<p><u>New central government grants and other Covid-19 funding streams.</u></p> <p>Central Government have provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to disseminate to other bodies.</p> <p>The Council needs to review each of these to establish how they need to be accounted for. It needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. For those where the decision is a principal, it also needs to assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.</p>	<p>We considered the Council's judgement on material grants received in relation to whether it is acting as:</p> <ul style="list-style-type: none"> <li>• An Agent, where it has determined that it is acting as an intermediary; or</li> <li>• A Principal, where the Council has determined that it is acting on its own behalf.</li> </ul> <p>We experienced delays in receiving the requested information and we are reviewing the treatment of each grant as agent or principal to complete the procedures in line with our planning report. We are comparing this with the wider benchmarking exercise across our clients and will consult with our technical team to conclude on any outliers. We have raised a number of points of clarification with officers.</p>
<p><u>Valuation of defined benefit pension scheme</u></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Oxfordshire County Council.</p> <p>The Council's pension liability is a material estimated balance and is required to be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £144.4 million.</p> <p>The information disclosed is based on the IAS 19 report issued by the Pension Fund actuary to the Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on its behalf.</p> <p>We are required to undertake procedures on the use of the use of the actuary as management's expert and the assumptions underlying fair value estimates.</p>	<p>Our testing for the defined pension liability is substantially complete. Due to the impact of revised ISA 540 on accounting estimates we needed to involve our internal EY Pensions Specialists. Following their review they concluded that the Pensions Liability was within an acceptable range based on their independent assessment. They concluded that the liability was within a range of &lt; 1.5%. We have no findings we need to report at this stage. We have now received the IAS19 assurance letter from the auditor of the Oxfordshire Pension Fund which will enable us to conclude on this area of audit focus. We are assessing the findings in the assurance letter for any associated impact on Oxford City Council and will provide an update on this at the Audit &amp; Governance Committee meeting.</p>



## Areas of audit focus

### Other areas of audit focus (continued)

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

#### What is the risk/area of focus?

##### Disclosures on Going Concern

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

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

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

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

#### What did we do?

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

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

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

We have received an assessment of the Council's going concern basis of preparation of accounts. We will conclude on this area at a group level based on results from component auditor subject to internal consultations and provide an update at the committee meeting.



## Areas of audit focus

### Other areas of audit focus (continued)

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

#### What is the risk/area of focus?

##### Group Structure

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), will be a significant component to the group based on size. Two of the entities are specific scope with material balances specific to one or 2 accounts: Oxford City Housing Limited and Oxford West End Development (OxWED).



The risk is considered inherent because these entities are significant component based on the size of the subsidiary. The accounts of the components will need to be consolidated into the Group accounts with appropriate consolidating adjustments. This gives scope for potential material error.

#### What did we do?

Our work is ongoing in this area as we are currently waiting for component auditors to finalise the audit of subsidiary accounts.

We have:

- Examined the group structure and determine which elements are in scope; and
- Monitored the position to identify any other components that might move into scope by the year end however we have no further changes to report.

We are in the process of completing the procedures below subject to timely completion of subsidiary audits.

- Review the Council's approach to consolidation and production of group accounts to ensure that this meets the requirements of the Code of Audit Practice;
- Liaising with the external auditor of ODS and OCHL, Mazars, asking them to undertake a programme of work in line with Group audits. We have completed an initial review of their audit files on the areas which were complete however we have been made aware that the work is still ongoing on a number of areas which could add further delays.
- Liaising with the external auditor of OxWED, Wenn Townsend, asking them to undertake a programme of work in line with Group audits. We have completed our review and received the requested information with no issues noted.



# 03 Audit Report



# Audit Report

## Draft audit report 20-21

TO BE INCLUDED AT THE END OF THE AUDIT

Our opinion on the financial statements

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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/unadjusted differences

As at the date of this report, we are not reporting any audit mis-statements greater than our reporting thresholds of £3.8 m & £4.2 m for the Council and the Group respectively. We will provide an update at the Audit & Governance Committee meeting on and a final position at the conclusion of the audit.

As at the date of this report we identified an asset which was outside the range developed by our internal valuer. We recommended that the Council undertake an updated valuation of the asset which has now been provided and is under review.

There have been no uncorrected misstatements above the reporting threshold that we would like to bring to the attention of the Committee.

There have been a number of presentational and disclosure amendments which we have identified and have been corrected by management.



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# 05 Value for Money



# Value for money

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

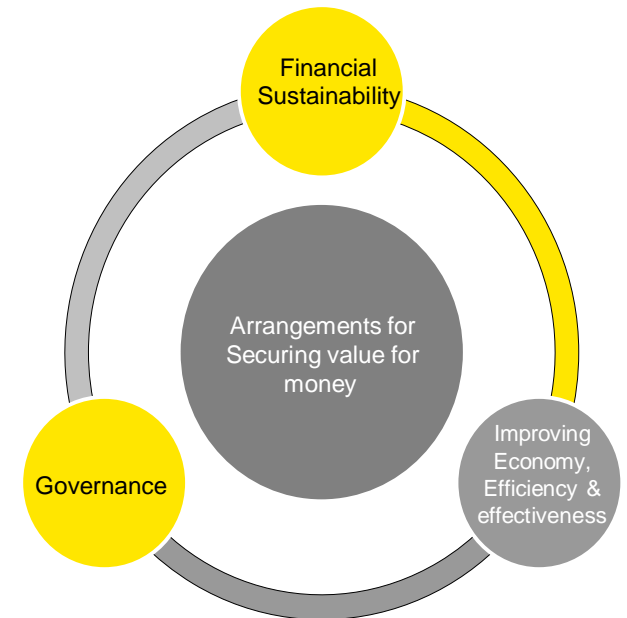
The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

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

## Risk assessment

We have previously reported to the Committee the changes in the arrangements to the VFM for 2020/21.

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





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## 06 Other reporting issues

# Other reporting issues

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

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

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

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

We have not yet reviewed the Annual Governance Statement as this has not been published. We will review the AGS when available and this will be reported to the Audit & Governance Committee meeting in September.

### 40 Whole of Government Accounts

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

We have been made aware that the system as well as guidance to complete this will not be available until December 2021 therefore we are currently unable to commence our work on the Whole of Government Accounts.

## 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.

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### 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

As at the date of this report we have nothing that we need to bring to the attention of the Audit & Governance Committee in respect of Other Matters. We are still awaiting the completion of work undertaken by Mazars as the component auditor of the subsidiaries however we have not been made aware of any significant findings in the subsidiary audits so far.



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## Assessment of Control Environment



# Assessment of Control Environment

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## Financial controls

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 including group-wide or at components. As at the date of this report we have nothing that we need to bring to the attention of the Audit & Governance Committee.



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# 08 Data Analytics



## Management Override of Controls

### What is the risk?

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

### What judgements are we focused on?

We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

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

### What did we do?

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

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

### What are our conclusions?

At the date of writing this report our journal entry testing is under review; we will conclude on the testing and report any material findings.

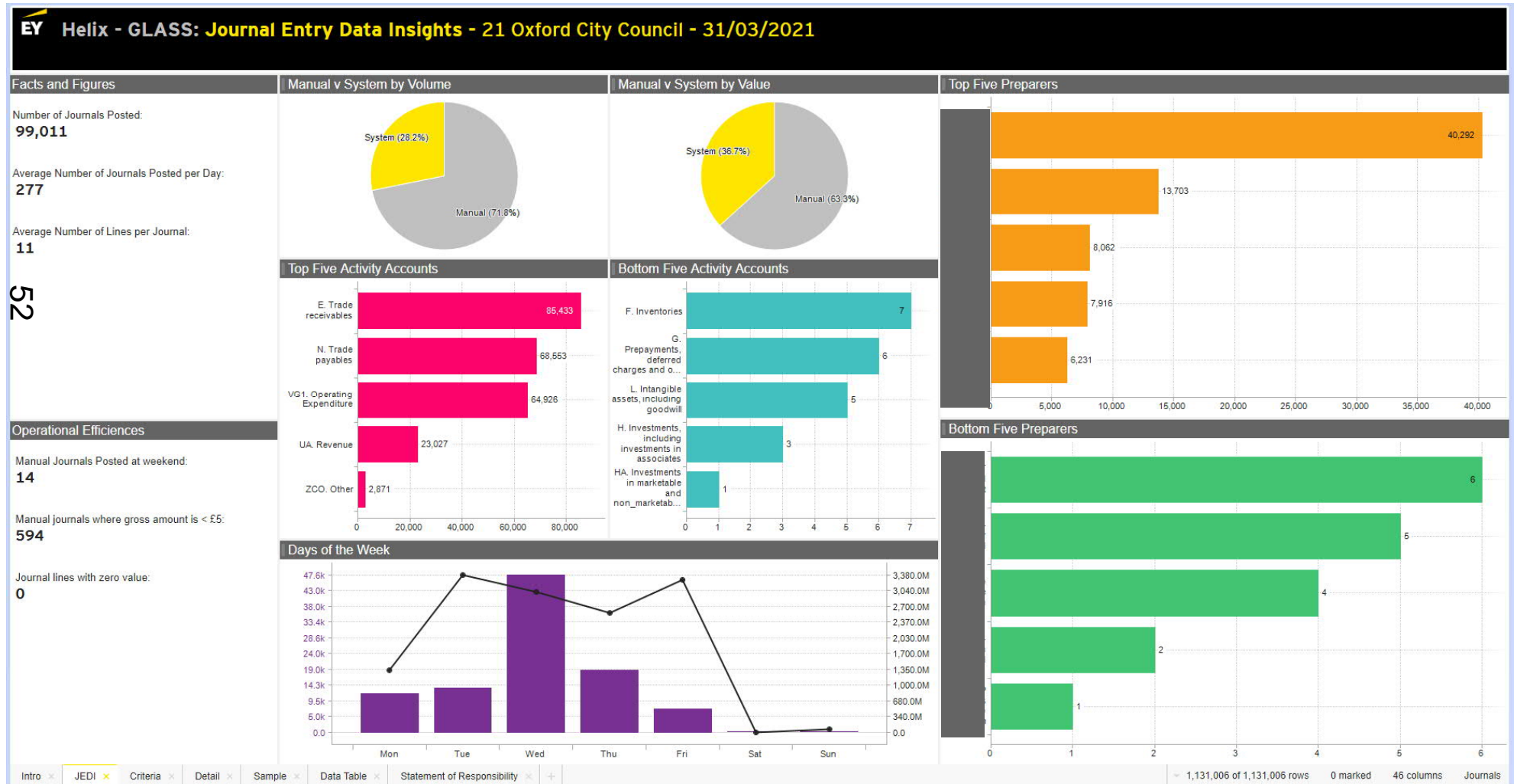


# Data Analytics

## Journal Entry Data Insights

Oxford City Council 31 March 2021

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



Intro x JEDI x Criteria x Detail x Sample x Data Table x Statement of Responsibility x +

1,131,006 of 1,131,006 rows 0 marked 46 columns Journals



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09

Independence

## Relationships, services and related threats and safeguards

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

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

### Services provided by Ernst & Young

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

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.

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 22 April 2021.

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

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Audit & Governance Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit & Governance Committee on 29 September 2021.

We confirm we do not plan to undertake non-audit work outside of the Statement of responsibilities of auditors and audited bodies as issued by the Public Sector Audit Appointments Ltd . We will apply the necessary safeguards in our completion of this work should we be required to complete any.

## Confirmation and analysis of Audit fees

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Total Audit Fee – Code work	TBC	71,440	66,355
Proposed increase to the scale fee due to changes in work required to address professional and regulatory requirements and scope associated with risk. (Note 1)	TBC	42,909	42,909
Scale fee variation – Covid-19 and Going Concern considerations, addressing significant risk on PPE valuation and VFM conclusion (Note 2)	TBC	TBC	23,500
<b>Total Audit Fees</b>	<b>Notes 1 &amp; 2</b>	<b>TBC</b>	<b>132,764</b>

All fees exclude VAT

Note 1 – The proposed increase reflects the increased risk and complexity facing all public sector bodies, adjusted for our knowledge and risk assessment for this Authority as well as the changes and incremental increase in regulatory standards. The proposed increase in the baseline fee is relatively consistent with other councils of a similar size, risk profile and complexity that EY audits.

Note 2 – The impact of Covid-19 on the audit, the updated requirements on VfM conclusion, group requirements, use of experts for the work on valuation of PPE and the work on going concern will all impact the work that is required to be done. As we near the conclusion of the audit, we will be in a position to quantify the impact of these additional procedures and where we propose a variation to the Authority's scale fee.

On both points, we will continue to discuss and share with you our assessment of the audit fees required to safeguard audit quality and our professional standards.

All fees are subject to final review and agreement by PSAA Ltd

## Other communications

### EY Transparency Report 2020

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

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

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





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# 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 entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
 Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report presented at the 22 April 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. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report presented at the 22 April Audit & Governance Committee meeting
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit planning report presented at the 22 April Audit & Governance Committee meeting

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The appropriateness of related disclosures in the financial statements</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the Audit &amp; Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings

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# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
60 Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit &amp; Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Audit &amp; Governance Committee responsibility.</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
61	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The Audit &amp; Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• 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</li> <li>• Enquiry of the Audit &amp; 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 &amp; Governance Committee may be aware of</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings




# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings
Group Audits	<ul style="list-style-type: none"> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>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</li> <li>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</li> <li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>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.</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Draft Audit results report presented at the 29 July & 20 October Audit & Governance Committee meetings

## 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 
Annual Governance Statement (AGS) 20-21	EY to review the AGS to ensure that it is consistent with the Council and the Group	EY and management
Significant Risks and Other Areas of Focus	Completion of the work detailed in the Significant Risks and Other Areas of Focus included within this report	EY, management, internal and external specialists
63 Final Statement of Accounts 20-21	Review of the Annual Report and associated support for final accounts E.g. Incorporation of EY review comments on disclosure notes	EY and management
Going concern review and disclosures	EY to review Group Going Concern position following input from component auditors EY central review process and finalisation of disclosures and opinion wording	EY and management
Group Reporting from component auditors	As outlined in the body of this report we are required to consider the findings of the component auditors	EY and component auditors
General review of completed tasks	EY to complete various levels of review on completed work	EY
Management representation letter	Receipt of signed management representation letter	Management and Audit & Governance Committee
Subsequent events review	Completion of subsequent events procedures at the Group level to the date of signing the audit report	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited.

# 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

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 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the council 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 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the Council.

We understand that the purpose of your audit of our 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 2020/21 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 2020/21 and are free of material misstatements, including omissions. We have approved the council financial statements.
3. The significant accounting policies adopted in the preparation of the Council 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 2020/21 for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no uncorrected misstatements pertaining to the current period.



## Management representation letter

### Management Rep Letter (cont.)

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#### 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 29 July 2021.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's 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 2020/21 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

## Progress report on implementation of IFRS 16 Leases

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

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

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

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**To:** Audit & Governance Committee  
**Date:** 29 September 2021  
**Report of:** Head of Law & Governance  
**Title of Report:** 2020/21 Annual Governance Statement

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To present the 2020/21 Annual Governance Statement for approval. The Committee is asked to review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
<b>Recommendation(s): That the Audit &amp; Governance Committee resolves to:</b>	
1. Approve the Annual Governance Statement for the 2020/21 financial year	

<b>Appendices</b>	
Appendix 1	Annual Governance Statement 2020/21

## Introduction and background

1. The preparation of the Annual Governance Statement ("the AGS"), to support the Annual Statement of Accounts, is a statutory requirement (Accounts and Audit Regulations 2015) for local authorities. Its purpose is to demonstrate and evidence that there is a continuous review of its control environment - the effectiveness of the Council's internal control, performance, and risk management systems. This allows an assurance on their effectiveness to be provided so that users of the Annual Report and Statement of Accounts can be satisfied that proper arrangements are in place to govern spending and safeguard assets. The process also enables the production of a corporate action plan to address any identified weaknesses.
2. The AGS also explains what governance challenges the Council is facing and how it is addressing those challenges and seeking improvement in how its functions are exercised. As part of the process of identifying issues self-assessment information is collated for all Service Areas through annual

governance questionnaires. The responses to the questionnaires are analysed to identify recurring governance challenges.

### The Annual Governance Statement

3. It is noted that whilst there is a legislative requirement to complete the AGS, the information provided by the exercise is of benefit to the Council as it enables an assessment of governance arrangements across the Council, and identifies where strengths and areas for development exist in those arrangements. Where significant governance issues are identified, progress can be monitored, as required, through the year (and reflected within the following year's AGS).
4. Overall the Annual Report from the Council's internal auditors provides that moderate assurance can be given that there is a sound system of internal control, designed to meet the Council's objectives and controls are being applied consistently.
5. The Annual Governance Statement includes an update on the Action Plan for the 2020/21 financial year. The Action Plan for 2021/22, which sets out the matters that the Council intends to focus on during the 2021/22 financial year in order to improve its governance arrangements, will be reported to a future meeting as it is still in development.
6. The Committee is required to consider and, if satisfied, approve the AGS. The AGS forms part of the Council's Statement of Accounts and is attached to the report as Appendix 1.

### Financial implications

7. There are no financial implications arising directly from the report.

### Legal issues

8. Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts. The Annual Governance Statement explains how Oxford City Council meets this requirement.

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<b>Background Papers:</b>	
1	Assurance Questionnaires completed by Service Heads





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## Annual Governance Statement – 2020/21 Financial Year

### 1. Executive Summary and Approval

- 1.1 Each year the Council produces an Annual Governance Statement (“AGS”) that explains how it manages its corporate governance arrangements, makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.
- 1.2 The Annual Governance Statement reports on:
- How the Council complies with its own governance arrangements;
  - How the Council monitors the effectiveness of the governance arrangements; and
  - Improvements or changes in governance arrangements proposed for the forthcoming year.
- 1.3 The Internal Auditor’s opinion on the Council’s internal control environment:

**Overall, for the financial year 2020/21, the auditors are able to provide Moderate Assurance that there is sound system of internal control, designed to meet the Council’s objectives and that controls are being applied consistently.**

- 1.4 As the Leader of the Council and the Chief Executive we have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 1.5 It is our opinion, based upon the content of this AGS that the Council’s governance framework is robust and that the governance arrangements have proved to be highly effective during 2020/21.

1.6 The Council has previously recognised a number of governance issues in previous Statements, all of which have now been resolved.

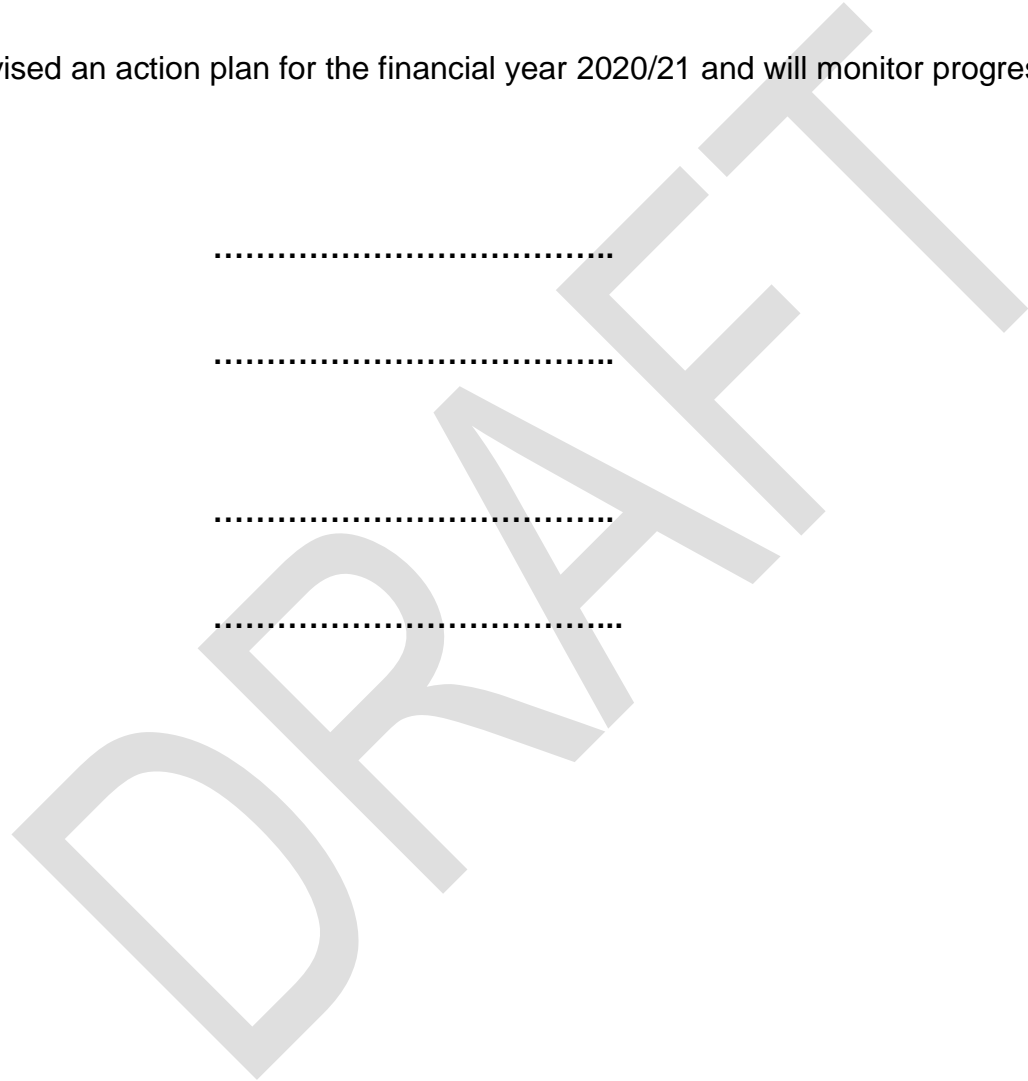
1.7 The Council has devised an action plan for the financial year 2020/21 and will monitor progress during the year.

**Leader of the Council** .....

**Date** .....

**Chief Executive** .....

**Date** .....



## 2. Introduction

- 2.1 Oxford City Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.
- 2.3 The Accounts and Audit (England) Regulations 2015 (“the Regulations”) require that:-
- The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control;
  - Findings of this review should be considered by the Council;
  - The Council must approve an Annual Governance Statement; and
  - The Annual Governance Statement must accompany the Statement of Accounts.

- 2.4 The Audit and Governance Committee has delegated authority to undertake these duties on behalf of the Council. This statement explains how the Council meets the requirements of the Regulations.
- 2.5 Once approved by the Audit and Governance Committee the AGS will be signed by the Leader and the Chief Executive. It will then be published alongside the Statement of Accounts.

## 3. The Purpose of the Governance Framework

- 3.1 The governance framework comprises the systems, processes, cultures and values by which the authority is directed and controlled and activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be

realised, and to manage them efficiently, effectively and economically.

- 3.3 The governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2021 and up to the date of the approval of the accounts.

#### **4. Policies, Procedures, Laws and Regulations**

- 4.1 The Head of Law and Governance is designated as the Council’s Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.
- 4.2 The financial management of the authority is conducted in accordance with the relevant provisions of the Constitution and the Council’s Finance Rules. The Council has designated the Head of Financial Services as the Chief Finance Officer in accordance with section 151 of the Local Government Act 1972.
- 4.3 The Council has robust policies and procedures relating to the use of resources and the corporate governance framework, including Finance Rules, Contract Rules, scheme of delegation, IT strategy, Avoiding Bribery Fraud and Corruption Policy and Whistleblowing Policy.
- 4.4 The Audit and Governance Committee approved an updated Anti-Money Laundering Policy on 10 January 2019 and a new Avoiding Bribery, Fraud and Corruption Policy on 11 March 2019 as well as a refreshed

Whistleblowing Policy on 29 July 2021. The Audit and Governance Committee will be asked to consider an updated Bribery policy on 29 September 2021.

#### **5. The Governance Framework**

Council Strategy 2020/24

- 5.1 The Council Strategy 2020-2024 came into force on 1 April 2020, replacing the Corporate Plan 2016-2020. The Council Strategy 2020/24 sets out, at a high level, the aims for the council and what outcomes it aims to have achieved by the end of 2024.
- 5.2 The strategy highlights the developments and changes the Council wants to make and as such does not include current ongoing areas of work that might be considered business as usual.
- 5.3 The Council Strategy 2020-2024 is a public document and is presented in a way that is easy for people to understand.
- 5.4 The Council’s vision is “Building a world-class city for everyone”. By creating successful places in which to live and work, supporting its communities and addressing the climate emergency, it aims to build a fairer, greener city in which everyone can thrive.
- 5.5 The Council has set four key priorities over the next four years – all of equal importance. The four priorities are all

interconnected, and the Council will work to achieve them in a joined-up way:

- Pursue a zero carbon Oxford
- Enable an inclusive economy
- Support thriving communities
- Deliver more affordable housing

5.6 The Council is committed to a “customer-first” approach. It works innovatively and efficiently as a flexible and customer-focused team offering high quality services that meet people’s needs. It works to tackle inequality through its employment practices and the ways in which services are delivered aim to provide equality of opportunity and access for all.

5.7 The Council’s investments and policy-making are all designed to address the social and financial inequalities across Oxford. The Council values diversity and seeks to build a greater sense of togetherness across the city’s communities. It wants to ensure all of Oxford’s citizens, including those who are harder to reach, have fair opportunities and a real share in the city’s future.

5.8 The Council works in partnership with others – other councils, businesses, communities, the voluntary sector, Oxford’s universities, the Government and other public sector bodies to ensure the way it shapes services and directs investments is joined-up with others.

5.9 The Council uses its commercial assets for the benefit of local people. It uses the wholly-owned companies and

the commercial properties it owns to create jobs, support the local economy and provide additional funds that support delivery of public services. This is called the “Oxford Model”.

5.10 The Council is a campaigning organisation, working actively to engage with residents, businesses, stakeholders and Government and use its influence to help achieve the aims set out in the Strategy.

5.11 For each of its four priorities, the Council has set out the outcomes it would like to see achieved over the four years, and some of the headline actions it believes will be required to help deliver this.

5.12 The Council Strategy is complemented by an annual business plan that sets out the key priorities and specific actions and milestones the Council will undertake for the year ahead and reports on progress against agreed key performance indicators. This strengthens the prioritisation of key areas of work and supports collaboration among officers and with external partners. The first Business Plan covering the period 2020/21 was published in September 2020.

5.13 The Council continues to use CorVu for financial reporting and for integrated financial, performance and risk reporting to the Cabinet on a quarterly basis.

5.14 Following the review of governance structures during 2018/19, resulting in the disestablishment of programme boards and the establishment of a Development Board

and an Operational Delivery Group, work has continued to embed the Council's project management process supported by the Project Management Office (PMO)). This structure has continued to be embedded during 2019/20 and 20/21. The Development Board has oversight of all capital projects submitted to it by the Development Review Group and the Asset Review Group. The Development Board and the Operational Delivery Group provide effective oversight of the large number of Council projects.

- 5.15 The Council continued to use the principles of "Projects In Controlled Environments" ("Prince 2") in its approach to project management along with the introduction of Agile principles of project management. Both of these methodologies are widely used in government and the public sector.
- 5.16 The Capital Gateway framework has continued to operate during the 2020/21 year with on-going involvement in programme and project delivery. Project Managers and other officers involved with the delivery of the Council's Capital Programme are encouraged to engage with and draw on support from the PMO, which now has additional resources and provides support and guidance in both the documentation required and the tasks demanded at each stage (gateway) of delivery.
- 5.17 The Capital Gateway framework is intended to establish whether ideas for projects should be developed, and then reconsidered at feasibility and design stages. A Development Review Panel and Asset Review Group,

with representation of Officers across the Council, provides this peer review and challenge on proposals and business cases for the Development Board and Operational Delivery Group.

- 5.18 All capially funded schemes are prioritised and enter into the Council's annual budget setting process. The revised processes enhance both Project Sponsors' and Project Managers' compliance with excellent project management practices, together with ensuring greater successful delivery of the Council's capital projects.
- 5.19 The PMO has an agreed a protocol with Oxford Direct Services Limited (ODSL) to ensure that the procurement and management of the relationship between the Council and ODSL complies with the relevant governance processes. This protocol is being followed by Project Managers where they are working with ODSL.
- 5.20 Oxford Direct Services Limited and the on-going work to deliver affordable homes through the Oxford Housing Company have continued to be managed through their existing, respective, Company Board structures. Alongside this there are significant private and public sector investment proposals as well as the Housing and Growth Deal.

#### Review of Corporate Risks

- 5.21 The Council maintains a corporate risk register that reflects strategic and operational risks that have been identified as well as proposed actions to mitigate or



manage those risks in the council's activities. The Audit and Governance Committee and the Cabinet receive a quarterly report on progress against the risk registers.

### Partnerships

5.22 The Council works with a wide range of organisations through a number of city and county-wide partnerships to deliver its corporate objectives.

5.23 The Council's Leader and Chief Executive represent the Council on the following formal partnership:-

- The Leader is a board member of OxLEP. Oxfordshire Local Enterprise Partnership ("OxLEP") which since its launch in March 2011, has played a key role in driving forward a dynamic, growing and sustainable economy for Oxfordshire. OxLEP meets quarterly. The Leader also sits on the Oxfordshire Skills Board.
- The Council's Leader and the Chief Executive represent the Council in the Oxford Strategic Partnership ("OSP") which was founded in 2003 and brings together senior representatives from the public, business, community and voluntary sectors. The OSP helps to provide direction for the city's future, respond to local priorities and engage more effectively with local concerns. This partnership for the city promotes collaboration and openness and provides opportunities to access funding and share resources more easily. Currently the partnership contains several key organisations and individuals, all

with a specific interest or experience in improving quality of life across the Oxford. The OSP meets quarterly.

- The Leader of the Council is a board member of Future Oxfordshire Partnership, the recently confirmed name of the Oxfordshire Growth Board. The Future Oxfordshire Partnership is a joint committee of the six councils of Oxfordshire together with key strategic partners and meets four times a year. Its purpose is to coordinate local efforts to manage economic, housing and infrastructure development in a way that is inclusive and maximises local social and environmental benefits.

5.24 Other formal countywide partnerships which have member representation from the Council include the Oxfordshire Resources and Waste Partnership, the Oxfordshire Health and Well Being Board, the Health Improvement Board and the Children's Trust. Council officers sit on the Health Protection Board and Oxfordshire Gold meeting, both system-wide bodies involving partners from health, local government, police and other agencies to coordinate the response to the Covid-19 Pandemic.

5.25 In addition, the Council has established and supported two further partnerships in the last year, the Zero Carbon Oxford Partnership, bringing together key organisations in the city to coordinate action to reduce carbon emissions; and the Oxfordshire Inclusive Economy Partnership to coordinate action on tackling economic inequalities.

## The Council's Companies

- 82
- 5.26 During the year 2019/20 the Council's three housing companies (Oxford City Housing Limited (OCHL) (Company number 10212716), Oxford City Housing (Investment) Limited (OCH(I)L) (Company number 10370637) and Oxford City Housing (Development) Limited (OCH(D)L) (Company number 10370647)) continued to develop their conjoined operation with a view to increasing affordable housing availability in Oxford and becoming a significant supplier of housing in their own right. OCHL is wholly-owned by the Council, and OCH(I)L and OCH(D)L are both wholly-owned subsidiaries of OCHL.
- 5.27 Capitalised expenditure across the companies totalled £17.1m on acquisitions and development activities compared to £7.39m in the previous year. This is mainly due to increased development activity. The spending for the year by both the development and investment company are in line with the estimated figures for the year.
- 5.28 During 2020/21 the investment company OCH(I)L took handover of an additional 27 dwellings from the housing scheme at Barton Park, taking the cumulative total now managed by the company to 95 at year end. The remaining balance of the first phase of the Barton Park development of 27 dwellings is expected to be handed over in the 2020/21 financial year.
- 5.29 Through OCH(D)L work started on a number of sites, delivering 61 units with 17 additional sites planned for 2020/21 and a further 170 units on completion. Through OCH(D)L work continued with 148 homes under construction by March 2021. The Company's business plan assumes 1,902 units in total over the next 10 years and the handover of 365 units at Barton Park. The business strategy is still to build a range of dwellings, the majority of which will be social dwellings and which will subsequently be sold to the Council's Housing Revenue Account (HRA).
- 5.30 Gross profit for the OCHL group of three companies totalled £629k, up from £424k last year. The profit was mainly derived from rental income, although a net loss of £1.4m up from £565k last year was generated mainly due to the increase in finance costs as result in additional loans from the Council. After taking into account property re-valuations the total comprehensive profit for the Group was £120k compared to £1.5m last year.
- 5.31 With regard to the Council's two wholly-owned direct services companies – Oxford Direct Services Limited (Company number 10719214) ("ODSL") and Oxford Direct Services Trading Limited (Company number 10719214) ("ODSTL") – the year 2020/21 represented their third year of trading.
- 5.32 ODSL holds "Teckal" status, and as such can enter into contracts with the Council without the requirement to comply with the Public Contract Regulations 2015. The

Council therefore let a substantial service contract to ODSL, under which many of the Council's statutory and other direct service operations are to be performed by ODSL, with effect from 1st April 2018. This involved a "TUPE" transfer of some 670 Council staff to the employment of ODSL. In return, with effect from the same date and to support ODSL's operation, the Council entered into a support services contract with ODSL under which ODSL receives a range of key support services. ODSL trades exclusively with third parties and in its first year of operation has provided commercial waste collection services to its commercial clients.

5.33 The loss for the year amounted to £155k, compared to a profit of £1.06m last year. No dividend payments were made and retained earnings totalled £1.5m. The impact of the Covid-19 pandemic has delayed any payment of dividend until later in the 2021/22 financial year when it is expected that there will be more certainty about the financial environment. Overall the financial year 2020/21 proved to be a difficult one especially for building services, with significant numbers of operatives having to be furloughed. Early signs in 2021/22 are positive with a number of major contracts won and a return to some sense of normality although the recent implementation of the QL housing system programme is hampering the production of financial management information to confirm this.

5.34 The Council also holds a 50% share in Oxford West End Development Limited ("OxWED"), a company jointly owned with Nuffield College. The objective of OxWED is

to develop and regenerate the Oxpens area of the city centre. The loss in the Company for the 12 month period totalled £2.3m an increase from last year of £1.1m largely from an increase in administrative costs and additional financing costs. Retained losses at the year-end total £6.6m. The shareholders have recently agreed that the Company will take forward work on the project brief and the masterplan, rather than this work being undertaken by a development partner, to de-risk the delivery risk of the site.

5.35 In 2011 the Council entered into a Joint Venture ("JV") with Grosvenor Developments Ltd, known as Barton Oxford LLP (BOLLP) to enable the delivery of a new housing development at Barton Park. When construction is complete the 885 home development will include 354 homes for social rent which will be purchased and managed by OCH(I)L.

5.36 At the end of the financial year 2020-21 there had been 225 completions in Phase 1 out of a total development of 237 and all the 76 social dwellings had been purchased by Oxford City Housing Investment Ltd. A further 10 units (3 private sale) had been handed over and occupied in phase 2 out of the total of 207 units. Contracts have recently been exchanged for the development of Phase 3.

5.37 Each of the Council's companies held regular Board meetings throughout the year 2020/21. In addition representatives of the housing companies and the direct service companies attended periodic reporting meetings

with their shareholders. For the year 2021/22 these shareholder meetings are to be regularised into quarterly reporting meetings and combined with the scrutiny function, reporting on the activities of all interests of the Council in wholly owned companies and joint ventures, at which decisions on matters reserved for the shareholder can be made.

#### Data Protection

5.38 Through leaving the European Union and the Covid-19 pandemic there has been a need for the Council to review its current practices and respond to new data sharing arrangements. It has undertaken the following activities in respect of data protection governance:

- Introduced new iLearn mandatory data protection training for officers (two modules rather than one depending on type of job role held)
- The Data Protection Team researched and attended training on the fallout from the Schrems II case, specifically learning about the necessity of standard contract clauses plus other governance requirements, identifying another work stream yet to be commenced.
- Engaged with new Community Hub provision to allow for the sharing of data to provide support to the most vulnerable members of the community during the pandemic
- Engaged with the Oxfordshire County Council on the Extremely Vulnerable List and managed the Council's responsibility about handling this data

- Worked with the Council's ICT Team to establish secure ways of working at home for officers. All staff were given guidance on how to manage data compliantly at home.
- Worked with different sections of the Council building on the work highlighted from the emergency response to the pandemic to ensure that data is used properly whenever the delivery of further support to individuals is contemplated.

#### Council Housing

5.39 The Council owned housing stock totals 7682 units which comprises 7264 of general needs social rented properties, 44 general needs affordable rent properties, 291 sheltered accommodation units, 1 shared ownership property and 66 properties used as homeless temporary accommodation. The Council also has 16 properties leased to external organisations and a further 701 leaseholder properties.

5.40 During the financial year 2020/21 the Council successfully collected 97.80% of rental income due in respect of its rented housing.

#### Constitution

5.41 The Constitution forms a key part of the Council's governance framework, setting rules, principles and procedures to enable the Council to take decisions and conduct its business effectively, including executive arrangements, committee structures, finance and

contract rules, schemes of delegation and clear opportunities for public and councillor engagement in Council decision making.

5.42 The statutory roles of the Head of the Paid Service, Monitoring Officer and Section 151 Officer are described in the Constitution, as are the responsibilities for providing robust assurance on governance, ensuring lawful expenditure in line with approved budgets and procurement processes.

5.43 The Constitution is reviewed annually to take account of changes to regulations and other developments in the Council's governance arrangements. In 2020/21 this work was overseen by a cross-party group of councillors which held a series of meetings to consider and shape proposals from officers. The outcomes of this work were reported to the Council on 25 January 2021 when a revised version of the Constitution was approved.

5.44 The revisions approved by the Council included a change to the planning committee structure to have a single area planning committee (previously two) and changes to planning delegations to provide for a manageable workload for that committee. Further changes included provisions for single cabinet member decision making, provisions for the Council to consider emergency cross-party motions and changes to financial thresholds to align with the Find a Tender Service (FTS) threshold.

5.45 The Monitoring Officer retains delegated authority to amend the Councils' Constitution to correct clerical mistakes and to make it follow the law. The Monitoring Officer can also change Section 4 of the Constitution (who carries out executive responsibilities) and Section 6 (roles of Cabinet members) to reflect the wishes of the Leader of the Council.

5.46 On 31 March 2020 in response to the Covid-19 pandemic the emergency powers delegated to the Chief Executive in the Constitution were used to adopt a business continuity version of the Constitution. This provided for continuity of decision making while it was not possible to convene meetings. These changes were reversed prior to the Annual Meeting on 20 May 2020 by which time the Council was successfully operating remote meetings under new Regulations passed in April 2020.

5.47 The Council continued to operate remote/virtual meetings with access available to members of the public until 6 May 2021 when the ability to do so was withdrawn. Since that time the Council has introduced a phased return to physical meetings with appropriate social distancing measures

#### Standards

5.48 The Council has arrangements in place to enable the public to make a formal complaint that a councillor, parish councillor or co-opted member has failed to comply with the Members' Code of Conduct.

5.49 The Standards Committee met twice during 2020/21 to oversee the numbers of complaints about councillors and any requests for dispensations, which allow a member to participate and vote on an item notwithstanding the existence of disclosable pecuniary interest. The Committee also considered and approved the Council's response to the Local Government Association's consultation on the Draft Model Member Code of Conduct.

5.50 The Standards Committee has a role in advising the Monitoring Officer on the Council's arrangements for training councillors. The Committee endorsed the revised arrangements for member training following the postponement of the local elections originally scheduled for May 2020.

#### Members' Allowances Scheme

5.51 The Council's Members' Allowances Scheme forms Part 26 of the Council's Constitution. The scheme will operate for four years, until the end of March 2023.

5.52 There was an internal audit carried out of the procedures for the operation of the Members' Allowances Scheme during 2018/19 and spot checks continue to be undertaken periodically on the allowances paid to members.

#### Dispensations for Members

5.53 The Localism Act 2011 requires that the Members of the Council must disclose Pecuniary Interests as defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. Individual dispensations, which allow a member to participate and vote notwithstanding existence of disclosable pecuniary interest, can be granted in the discretion of the Monitoring Officer.

5.54 On 1st October 2018 the Council granted generic dispensations to all Members for a period of 4 years in respect of:

- Determining an allowance (including special responsibility allowances), travelling expense, payment or indemnity given to Members;
- Housing: where the Member (or spouse or partner) holds a tenancy or lease with the Council as long as the matter does not relate to the particular tenancy or lease of the Member (their spouse or partner);
- Housing Benefit or Universal Credit: where the Councillor (or spouse or partner) receives housing benefit and/or Universal Credit;
- Any Ceremonial Honours given to Members - Mayor-making, conferring the title of alderman/woman or admitting freemen/women;
- Setting the Council Tax or a precept under the Local Government and Finance Act 1992 (or any subsequent legislation); and

- Setting a Local Council Tax Reduction Scheme or Local scheme for the payment of business rates (including eligibility for rebates and reductions) for the purposes of the Local Government Finance Act 2012 (or any subsequent legislation).

#### Complaint Handling Arrangements

- 5.55 The Council has arrangements in place to enable the public to make a formal complaint that a councillor, parish councillor or co-opted member has failed to comply with the Members' Code of Conduct. In 2018/19 the Monitoring Officer reviewed the Council's complaint handling arrangements after operating the system for a period of time and in response to feedback from the Standards Committee, with a view to making the process more open and efficient whilst continuing to ensure it remained fair and independent. As a result of this exercise and recommendations from the Standards Committee revisions were made to these arrangements by Council on 29 April 2019. Initial assessment criteria have been included to guide the Monitoring Officer, in consultation with an Independent Person, when establishing whether there are valid grounds to investigate a complaint or take other action.
- 5.56 Other notable changes are the inclusion of indicative timescales for each stage of the complaints process and changes to the complaints form to require complainants to specify which part(s) of the Code they believe have been breached and what remedy they are seeking. The

Council recruited four independent persons for a four year term each from 25 November 2019.

#### Procurement

- 5.57 The Council's Procurement Team has transferred the Council's contract register and pipeline into Sharepoint to enable better contract management and monitoring of the Council spend. The register enables the Council to fulfil its obligations under the transparency agenda. The Contract register and pipeline is a live document meaning that as soon as a contract is updated any reports subsequently derived from the register are also updated.
- 5.58 A new Procurement Strategy was approved the Council's Cabinet September 2020 to run for 2 years until September 2022.
- 5.59 Officers from the Council's legal and procurement teams have recently undertaken an exercise to update the standard form of terms and conditions for contracts below the Find a Tender (the government's e-notification scheme "FTS") thresholds and those above the FTS thresholds. Other contract templates are consistently reviewed and updated when required.
- 5.60 Procurement officers have reviewed the government's Green Paper "Transforming Public Procurement", published in December 2020 and have highlighted the potential changes and impact to the Council's Finance Panel. Officers will continue to monitor the situation.

## Member Training

- 8
- 5.61 During 2020/21 the Council conducted a review of its established framework for inducting and training councillors and adopted a Member Training and Development Scheme 2020-24. This work was overseen by the Standards Committee. The Scheme aims to equip all elected members with the basic skills, knowledge and resources they need to perform their duties and responsibilities as a councillor during their term of office.
- 5.62 A key change from the previous framework is the expansion of the compulsory induction programme for new members to include a wider range of training topics such as finance, safeguarding and values and behaviours. This expanded induction programme was delivered following the May 2021 local elections and sessions were well attended.
- 5.63 The Scheme also includes an indicative programme of optional training to support Members with their specific roles and responsibilities, such as training on appointments, audit, chairing, leadership, media and scrutiny. In response to feedback from Members the Scheme also includes an offer of personal safety training prior to the Council elections.
- 5.64 As 2020/21 was a non-election year for the Council following the postponement of the local elections the Standards Committee agreed that compulsory training would not be required until May 2021. Non-compulsory

training took place on the topics of safeguarding, inclusive behaviours and the Oxford Local Plan. Training, equipment and support was offered to all councillors in accessing meetings held remotely on Zoom under temporary coronavirus regulations passed in April 2020.

- 5.65 Members are able to access externally facilitated training sessions with the agreement of their Group Leader. For example a Member attended a BAME into Leadership Conference.

## Officer Training

- 5.66 Council officers are also encouraged to access internal training courses as well as specific professional development. All new starters are required to undertake the corporate induction and to understand key policies on data protection, code of conduct and ICT security, as well as to undertake safeguarding awareness training as a minimum. Appraisals are conducted in relation to the performance of each member of staff on an annual basis.

## Inclusion and Diversity

- 5.67 On 9 December 2020 the Cabinet approved the Workforce Equality Report 2018-2020, considered current progress on the development of the draft Equalities, Diversity and Inclusion (EDI) Strategy where it related to Workforce Equality. It also considered those



actions that fall out of the draft EDI strategy but that will support the Council to develop relationships with local communities realise its employee representation aspirations. In January 2021 The Workforce Equalities Report 2018 to 2020 which includes its Gender Pay Gap Report and its Ethnicity Pay Gap Report was published in January 2021.

#### Appointments

- 5.68 The Appointments Committee is responsible for appointing executive directors and assistant chief executives and for undertaking the recruitment and selection process for the Head of Paid Service, Chief Finance Officer and Monitoring Officer and recommending these appointments to Council. The Committee also receives reports from the Head of Paid Service on senior management arrangements, to include any change. It also considers appeals from post holders in roles deemed to be politically “sensitive” who wish their post to be exempt from the Council’s list of Politically Restricted Posts. The Committee met four times in 2020/21.
- 5.69 The appointment of councillors to outside bodies such as trusts, charities and community associations is the responsibility of Cabinet. The Council currently has representatives on a total of 57 outside bodies. Those appointed to charities and trusts serve as trustees of those organisations which comes with a particular set of responsibilities. Guidance to assist Council

representatives on these organisations is provided upon appointment to ensure that all appointees understand their role and responsibilities in representing the Council on the organisation.

#### Decision Taking

- 5.70 All decision reports are subject to a robust clearance procedure to ensure that decision makers are presented with the best organisational advice and that the risks and legal, financial and equalities implications of proposals are identified and explained. All decision reports to the Cabinet are accompanied by a risk register and, where equalities impacts are identified, an equality impact assessment. Report writing guidelines and clear deadlines are in place to guide report authors and this guidance was updated and refreshed in 2019/20. The Council’s Forward Plan provides at least a four month forward view of upcoming decisions to assist councillors and the public in engaging with council decision making. The Council also maintains a focus on ensuring that decisions taken by officers are recorded and published on the Council’s website.

#### Scrutiny

- 5.71 The Council has a mature Scrutiny function that benefits from the active engagement of members, dedicated officer resource and a positive organisational culture that is conducive to effective scrutiny. The work of Scrutiny is prioritised and agreed through a work planning process while remaining flexible and responsive to emerging

issues, priorities and Cabinet decisions. In 2020/21 topics suggested for scrutiny to consider were ranked using the Council's TOPIC methodology with points awarded for timeliness, organisational priority, public interest, influence (the ability to) and cost. As a special measure to reflect the extraordinary workload on the Council arising from the Covid-19 pandemic preferential weightings were also given to Cabinet reports, which generate less additional officer work to produce for Scrutiny, allowing Scrutiny to navigate the balance of continuing to consider topics of particular importance whilst not overburdening the organisation at a time of acute stress.

- 5.72 In addition to considering reports at meetings on a wide range of issues and decisions that affect the city and its communities and making recommendations to Cabinet on the majority of these, Scrutiny commissioned two major pieces of review work in 2020/21. The topics chosen for review were a wide ranging review of the ways in which the Council could prevent domestic abuse and mitigate its effects through its housing function, grant-giving and procurement, partnerships and its internal policies, and the annual review of the Council's budget and medium term financial strategy. Each review resulted in an evidence based report to Cabinet containing a series of recommendations for improvement.

#### Audit and Governance Committee

- 5.73 The Council has an established Audit and Governance Committee with terms of reference that comply with the Chartered Institute of Public Finance and Accountancy ("CIPFA") guidance. The Audit and Governance Committee is responsible for setting the Council Tax base, approving the Annual Statement of Accounts, reviewing quarterly risk management reports and noting and commenting on the work plans and reports of the Council's internal and external auditors. The Committee monitors the implementation of audit actions. In 2020/21 the Committee also received reports from officers on the performance of the Council's fraud investigations team as well as a report on the Redmond Review into Local Audit and Local Authority Financial Reporting.
- 5.74 The Audit and Governance Committee receives quarterly reports on all allegations of fraud or corruption once any on-going investigation is complete as well as those Ombudsman complaints for which a Public Interest Report is issued.

#### Financial Planning

- 5.75 The Council has a coherent accounting and budgeting framework which includes the monthly monitoring and publication of spend against budget. The Medium Term Financial Plan and budget setting are underpinned by the prioritisation and savings plans which are regularly reviewed and updated by the Cabinet.

## Emergency Planning

5.76 The Civil Contingencies Act 2004 establishes a clear set of roles and responsibilities for those involved in emergency preparation and response at the local level. It requires the Council and other organisations to prepare for adverse events and incidents. The Council is a category one responder and as such has continued to work with other agencies to build resilience on emergency planning functions. Officers have been identified to undertake silver and gold level response roles within the Council. The emergency planning documentation held by the Council is updated as required.

5.77 During 2020/21 the Council set up a working group for to emergency planning drawing on the expertise of all those involved in any emergency event within the City. The Council did the following:

- Introduced a new Flooding Protocol
- Introduced a new Sandbag Policy
- Commenced work on the Council's Crowded Places Plan
- Responded to the Prevent Legislation consultation
- Set up Gold and Silver level training for relevant officers in conjunction with Oxfordshire County Council
- Attended all relevant Thames Valley Local Forum Group online meetings to update on the Council's flooding and pandemic response

- The Council and ODSL responded proactively to the flooding events in Oxford over the 2020 Christmas period and again in Spring 2021, preventing properties from flooding and providing support to those households at risk.
- Worked with the County Council on documents and plans in relation to the Death of a Senior Figure.

## Statutory Officer Reports

5.78 The Monitoring Officer and Chief Finance Officer have had no cause to issue reports in exercise of their statutory powers in the 2019/20 financial year.

## Whistleblowing

5.79 The Council has adopted a Whistleblowing Policy. The Policy is published within the Council's Constitution and is periodically reviewed by the Monitoring Officer and was reviewed in July 2021.

## Corporate Complaints

5.80 The Council also operates a comments, compliments and complaints system ("the 3 Cs"). The Council received 19 "stage 3" complaints. 17 of these were not upheld and 2 were partially held.

5.81 There were no formal Public Interest Reports issued by the Housing Ombudsman or the Local Government and Social Care Ombudsman against the Council in this year. Four complaints against the Council were upheld

by the Local Government and Social Care Ombudsman, three of which related to the same issue. In all cases the suggested remedy of a policy/procedure change, and in one case financial redress, were implemented.

- 5.82 The Council has undertaken a self-assessment against the Housing Ombudsman's new Complaint Handling Code for registered providers of social housing and is taking steps to ensure full compliance with the requirements of the Code. The Council's Corporate Management Team (CMT) has agreed in principle to adopt a two stage procedure for all complaints across the Council and ODS and to update and expand the 3 Cs documentation. A cross-service officer group has been formed to progress this work and report back with a proposed new policy and procedure for comments, complements and complaints.

#### Fraud and Corruption

- 5.83 The Counter-Fraud team continued to provide an effective fraud prevention, detection and investigation capability for Oxford City Council. Charged with safeguarding Council services, the team has a remit to ensure that processes and controls are robust and protected from exploitation by fraudsters.
- 5.84 Working in tandem with a number of Council departments and external organisations, the team ensures that vulnerabilities are addressed and where appropriate, civil and criminal action is taken against those who deceive and defraud the organisation. In the

financial year 2020-2021, the team were responsible for preventing losses and increasing revenue, to the value of £9.73m for the Council.

- 5.85 The team also tackles abuse in social housing by preventing fraudulent and irregular applications for housing from progressing, and by recovering Council properties that are being illegally sublet, misused or abandoned. There were 16 instances of this in the year.
- 5.86 At the start of the financial year, the team formed a shared-services partnership with the Counter-Fraud Team of Reigate and Banstead Borough Council. Both teams work in a commercial manner, supplying a range of services to client organisations and both teams have unique areas of specialisms. Additionally, both teams have been winners of the last two Excellence in Counter Fraud Awards in the IRRV Performance Awards Scheme.
- 5.87 In the year of a global pandemic, the team demonstrated dynamic agility by responding to new remote working arrangements and delivering the highest annual value outcomes since the inception of the team. Resources were refocussed in the year to design and implement secure and robust verification and validation processes in connection with Covid-19 Business Support Grants. This preventative activity resulted in £6.5 million worth of fraudulent, duplicate and irregular grants from being awarded ensuring only legitimate applications were paid.

## Employment

5.88 The Council has a comprehensive range of policies, procedures and processes that combine employment legislation with best practice and organisational norms. Supplementary to these and for the purposes of monitoring and transparency, is a suite of reports and reporting tools. Together these inform and govern how the Council manages people related matters whilst also ensuring that the organisation achieves this in a fair, consistent and legally compliant manner. The policies and procedures cover the whole employee lifecycle, ranging from recruitment and selection and career development, to performance, conduct and capability issues and there is a regular cycle of review to ensure they are up to date and fit for purpose.

5.89 All policies and procedures are available for employees and managers to see on the Council's intranet. Additional guidance and support is accessed through the Council's Human Resources Team, ("HR") which provides training, coaching and ad hoc support and advice. The HR Business Partners and Advisors also work closely with Service Areas to deal with people related matters in a consistent manner and in line with the agreed policies and processes.

## Business Continuity Planning

5.90 Towards the end of the 2019/20 financial year, throughout the 2020/21 financial year and into 2021/22, the Council's response to a business continuity incident

was tested in reality when the country went into full lockdown in response to the Covid-19 pandemic in compliance with Government guidelines. All Council offices were closed with most staff working from home and all work which couldn't be carried out within Government guidelines was ceased.

5.91 The Council's Corporate Business Continuity Plan anticipated that if 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 through the use of ICT and remote working solutions.

5.92 The Council's corporate and service business continuity plans have been reviewed and, where appropriate, updated in line with the findings from these events. Additionally, as a result of the almost universal remote working by staff, the Council is reviewing its business model and the need for office space now and in the future by operating a hybrid working model with more emphasis on working from home.

5.93 The business continuity plans currently still contain reference to alternative sites and this is reflective of those services that cannot be carried out remotely. The precise nature of these alternative accommodation arrangements will need to be reviewed in the future when longer terms needs can be identified and assessed.

- 5.94 Business Continuity continues to be a focus for regular review. Service Area Business Continuity Plans are reviewed and tested on a regular basis with the most recent exercise being undertaken in February 2021 and focusing on the loss of ICT. This exercise was facilitated by the council's insurer Zurich Municipal and was successful with higher attendance than previously, probably due to the flexibility offered by running the event remotely.
- 5.95 There were a number of actions which arose from the exercises and the discussions around them. The recommendations arising from those exercises have been implemented by officers and the key learning points and recommendations around ICT have been implemented by the Chief Technology and Information Officer in conjunction with Heads of Service and the Council's Operational Delivery Group. The Corporate Business Continuity Plan was been updated following these reviews and tests.
- 5.96 Zurich Municipal also undertook a desk top review of all business continuity plans and provided feedback to the Council on those plans. These findings and the findings from the February 2021 exercise were fed back to managers to inform their business continuity plan updates.
- 5.97 The evidence provided by the continued delivery of services to the public during the pandemic indicates that the Council's business continuity processes held up well

and that the Council can adapt well and quickly to changing circumstances.

#### Freedom of Information

- 5.98 The Council is required to provide certain information on request under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Requests are considered and, if held, information is disclosed unless an exemption or exception applies. During the financial year 2020/2021 the Council received 859 requests for information, eight of which were subject to an internal review. One case was referred to the Information Commissioners Office (ICO) and the Council's decision was upheld, this case then went to 1<sup>st</sup> Tier Tribunal (Appeal result not yet available).
- 5.99 It is clear that the types of request are becoming more complex with requesters using the FOI route to ask questions and opinions of officers rather than for recorded information.

## 6 Review of Effectiveness

- 6.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of senior officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report

and also by comments made by the external auditors and other review agencies and inspectorates.

- 6.2 In preparing this statement each Head of Service has completed an assurance questionnaire. The questionnaire asked each Head of Service to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well.
- 6.3 A number of actions have taken place and are planned within various of the Council's Service Areas and these are summarised in the Action Plan attached as Appendix 1 to this statement. Milestones will be added to this Action Plan as the work to achieve the tasks progresses.

## 7 CIPFA Statement on the Role of the Chief Financial Officer

7.1 In assessing the effectiveness of the Council's Annual Governance Statement the Chief Financial Officer is required to review how their role in the authority meets the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. Key to this assessment are a number of principles:

- The Chief Financial Officer ("CFO") in a local authority is a key member of the leadership team, helping it to develop and implement strategy. In the Council the

CFO is a key member of the Corporate Management Team with direct access to the Chief Executive, members, Audit & Governance Committee and internal and external audit

- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy. In Oxford the CFO is responsible for Risk Management, has the ability to influence decisions through meetings and reporting to members and also has a statutory requirement to advise members of the robustness of estimates and the level of reserves and balances
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. The CFO has a personal responsibility for financial stewardship and their prime responsibility is to the citizens to manage resources prudently, both within the authority and extending into partnerships, joint ventures and companies in which the council has an interest e.g. Oxford Direct Services Group, Oxford City Housing Limited, Oxford West End Development Limited (OxWED) and Barton LLP
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.

In Oxford the CFO currently has sufficient resources to undertake the Finance function and this is subject to review

- The CFO in a local authority must be professionally qualified and suitably experienced. The CFO and a number of key staff within the Finance Team are suitably qualified. Deputising for the CFO on matters of financial accounting is undertaken by the Financial Accounting Manager and Management Accountancy Manager, with additional posts taking responsibility on matters relating to Procurement and Revenues.

## **8 Awards/Recognition**

- 8.1 The Council wishes to ensure that it remains up to date with best practice and standards of performance so it regularly enters competitions against its peers and has achieved standards and won awards as set out in Appendix 2 to this statement.

## **9 Significant Governance Issues**

- 9.1 The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weaknesses in the financial controls, governance arrangements or the management of risk.

- 9.2 The Council's internal auditors are BDO LLP who are required to provide the Audit and Governance Committee, and the Section 151 Officer with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

- 9.3 The annual report from the Council's internal audit provides an overall opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes, within the scope of work undertaken by the firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. Overall the annual report from the Council's internal auditors, which was reported to the Audit and Governance Committee in July 2021, provides that, based on the evidence of the audits conducted, moderate assurance is given that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.

- 9.4 In giving its opinion BDO LLP has stated that assurance can never be absolute. The internal audit service provides the Council with Moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2020/21. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted,



there are no signs of material weaknesses in the framework of control.

9.5 In assessing the level of assurance to be given, BDO LLP has stated that the following matters were taken into account:

- The Council has seen a sharp increase in expenditure to support those in need, together with a sharp reduction in income from leisure centres, town hall room hire, car parks, rents from commercial premises, and earnings from its wholly owned companies Oxford Direct Services Ltd (ODS) and Oxford City Housing Ltd (OCHL). The overall adverse impact on the Council's general fund, in this year alone, is estimated at around £12 million, with a further £17 million over the following four years. The Council has used their reserves to plug this gap, noting that this is a one-off measure. The Council is proposing £9.57 million of efficiencies and increased income over the 4 year period.
- The Council has implemented all recommendations due. In 2020-21, the escalation process for follow up was refined to improve effectiveness. All non-responses and recommendations with several revised due dates were reported to the Operation Delivery Group (ODG) meeting each quarter. This has improved the follow up process and implementation of recommendations.

- Some audits planned have been deferred to 2021-22 as a result of the impact of Covid 19 but overall they were able to perform sufficient work to provide an annual opinion. All of their reports this year which contained an opinion, have provided substantial or moderate assurance, including three with substantial assurance on design and effectiveness (Payroll and Overtime, Treasury Management and Income Collection & Cashiers) and three with moderate assurance on design and effectiveness (Data Analytics, Companies Oversight and Accounts Receivable). The Council need to achieve substantial assurance on both design and effectiveness on a majority of their audit reviews in 2021-22 to achieve a substantial opinion overall. However, Covid 19 has presented control challenges for all Councils and the Council has done well to maintain its control environment under these circumstances.

9.6 The BDO LLP auditors have clarified that they have taken the following into account in reaching their conclusion:

- All internal audits undertaken by BDO LLP during 2020/21
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks

- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to the Council

- Any limitations which may have been placed on the scope of internal audit – no restrictions were placed on their work

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**Appendix 1**

**ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2020/21**

Action Required	Deadline	Responsibility	Comment	Action Completed
1 All Heads of Service to review service area processes and procedures following response to Covid-19 pandemic to ensure that they still meet the business needs taking account of any new ways of working e.g. local schemes of delegation and authorised signatories.	31/3/21	Head of Law & Governance	To be followed up with Heads of Service through the Operational Delivery Group.	Complete
2 Update business continuity plans in line with the lessons learned from the response to the Covid-19 pandemic.	31/12/20	Head of Financial Services	To be followed up with Heads of Service through the Operational Delivery Group.  Business continuity plans were all updated in Autumn 2020 incorporating lessons learnt from the Covid-19 pandemic. The revised plans were sent to the Council's insurers, Zurich Insurance, to check for completeness and consistency. A further update was provided to ODG in July 2021.	Complete
3 Undertake a further test of Business Continuity Plans.	31/3/21	Head of Financial Services	To ensure that business continuity plans are robust and reflect lessons learned from the response to the Covid-19 pandemic.  A business continuity exercise was undertaken on 21 February 2021 using revised business continuity plans as a basis. The exercise was facilitated by	Complete

			<p>Zurich Insurance and was attended by heads of service and senior managers from every service area. Updated service area IT system recovery requirements were produced following the exercise which will feed into the ICT disaster recovery plans.</p> <p>BDO will review these plans as part of their audit plan for this area in 2021-22 and report back to Audit and Governance Committee</p>	
4	31/3/21	Executive Director Development	<p>Following mitigating action with regard to the Council's capital programme in response to the Covid-19 pandemic as set out in the report of the Head of Financial Services - Financial Monitoring Report – April 20 considered by the Cabinet on 24 June 2020.</p> <p>This was incorporated into the budget setting process for the financial year 2020/21</p>	Complete
5	31/3/21	Head of Business Improvement	<p>As there has not been recent training a need for updated training has been identified to ensure knowledge of policies across the organisation.</p> <p>There has been no feedback from the</p>	Unknown

			Service Area	
6 Whistle Blowing and Anti - Fraud and Corruption procedures - Need to provide refresher courses on policies to ensure consistent knowledge on when and how to apply or engage with the policies.	31/3/21	Head of Law & Governance and Head of Financial Services	<p>There is a need to keep such policies in the awareness of all employees.</p> <p>Due to the pandemic and the revised priorities that came with it, this was one of the areas that was subject to slippage and we weren't therefore able to adhere. We are going to be reintroducing Fraud Awareness Training across the organisation for the next financial year. The content of the Whistleblowing Policy as well as the Anti-Bribery, Fraud and Corruption Policy are referenced during the training.</p> <p>Proposed new date 31/03/2022</p> <p>The Whistleblowing Policy was updated in July 2021.</p>	Part complete
7 Refresh the corporate arrangements for recording complaints ensuring that the complaint is responded to comprehensively and that lessons learnt are captured and acted upon.	31/3/21	Head of Business Improvement	<p>The Council's current system for customer service case management is currently being replaced. Once the new system is implemented the corporate arrangements for recording complaints will need to be refreshed.</p> <p>Aereon QL is being presented to Customer Services management on 17<sup>th</sup> September as a suitable system for recording 3C's, If</p>	Ongoing

			we agree that it is suitable then we will explore any costs to set up and ongoing costs related to the whole organisation adopting this product as a recording mechanism.		
8	New online training module on Data Protection for all staff.	31/3/21	Head of Law & Governance (Data Protection Officer)	New modules of training have been rolled out across the Council. New process for monitoring uptake of training also introduced	Complete
9	Ensuring that adequate processes are in place in respect of Data Protection for officers working from home.	31/3/21	Head of Law & Governance (Data Protection Officer)	Ensure the ICO guidance and best practice are followed with regard to data protection practices and data security.  Guidance issued to all officers on best practice and this was reiterated through ODG etc.	Complete
10	Raising awareness of the need for good quality Equality Impact Assessments in respect of policy or service delivery changes.	31/3/21	Head of Business Improvement	To raise awareness building on good practice to date.  The Council is currently undertaking a strategic review of its equality, diversity and inclusion strategy. A key aspect of this	In progress

			refreshed work will be the bringing together of a Business Intelligence Unit to provide intelligence and encourage officers to collate insights from those people that share protected characteristics to improve the quality of Equality Impact Assessments.		
11	Practical implementation of the delivery of social value through contract procurement activity – to be captured in revised procurement strategy.	31/3/21	Head of Financial Services	Revised procurement strategy to be implemented reflecting current practice.  The revised strategy was signed off by Cabinet in September 2020 incorporating social value through procurement.	In progress
12	To review the governance arrangements for oversight of Oxford Direct Services Limited and Oxford City Housing Limited work streams by the Council's Corporate Management Team prior to consideration at formal shareholder meetings.	31/3/21	Chief Executive	To ensure that proposed action is consistent with the group position.  This has now been established and is working well with MD's from the Councils wholly owned companies attending CMT on a monthly basis	Complete
13	Implement a Conflicts of Interests Protocol to deal with crossover of roles now that there have been further appointments to the Boards of the Council's companies.	31/3/21	Head of Law and Governance	To ensure guidance to officers in situations of potential conflicts of interest.	In progress

<p>14 The Construction (Design and Management) Regulations 2015 (CDM) compliance.</p>	<p>31/3/21</p>	<p>Executive Director Development</p>	<p>Ensure that the Council's responsibilities under CDM are understood and addressed and staff appropriately trained so that the risks involved in construction are managed from start to finish of a project.</p> <p>The Council has been undertaking a training needs analysis across the directorates to establish what level of training is required. Actions to raise awareness of CDM have included presentations to Heads of Service which has identified some additional target groups and monitoring of major projects to ensure duty holders have been appointed.</p> <p>Support has been given to project managers at the feasibility and design stage of projects to ensure that CDM arrangements are compliant. Specialist CDM training was completed for Property Services and workshops were undertaken with ODS and other directorates to ensure are fully aware of responsibilities under the regulations.</p> <p>Further work is planned with Procurement to strengthen CDM requirements during the tender stage of projects to ensure compliance is maintained through the supply chain.</p>	<p>In progress</p>
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15 Member Code of Conduct	31/3/21	Head of Law & Governance	<p>Submit response to consultation</p> <p>To consider the outcome of the Local Government Association consultation on a model code and implement any resultant changes as required.</p> <p>This was considered by the Standards Committee. The Oxfordshire authorities are currently collaborating on a refreshed Code of Conduct taking into account the Local Government Association's Model Code of Conduct.</p>	Complete
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## Appendix 2

### Awards/Recognition for 2020/21

The awards/external accreditations earned by the Council in the year April 2020 – March 2021 are as follows:

- All five OCC leisure facilities and Rose Hill Community Centre are quality assured to the UK Quality Award Scheme for Sport & Leisure, QUEST
- Parks and Green Spaces are accredited to the Green Flag Award® scheme; recognising well managed parks and green spaces, setting the benchmark standard for the management of recreational outdoor spaces across the United Kingdom and around the world;
- National Youth Agency Accreditation Framework.
- Town Hall has achieved AIM Accreditation. This is a formal accreditation provided by the MIA (Meetings Industry Association) and is UK's only recognised accreditation scheme for the meetings and events industry. More about the accreditation you can read their website <https://www.mia-uk.org/AIM>.
- Arts Council England awarded its Museum Accreditation (ACE) to the Museum of Oxford;
- Community Services received the Investors in Volunteers accreditation; and
- The Council's Youth Ambition Team received the National Youth Agency accreditation.

The awards/external accreditations retained by the Council in the year April 2020 – March 2021 are as follows:

- The Active Communities Team continues to achieve Active Communities Quest Stretch at 'Outstanding'
- Customer Service Excellence accreditation for the entire organisation;
- The legal team within Law & Governance retained its LEXCEL accreditation and was commended as no non-compliances were identified during the assessment;

**ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2021/22**

Action Required	Deadline	Responsibility	Comment	Action Completed
1 Integrate data protection training into staff induction	31/3/22	Head of Law & Governance and Head of Business Improvement	There is a need to ensure that all new staff participate in the relevant data protection training module for their role as part of their induction programme. Envisaged that this will inform the probation period for new employees	
102 Practical implementation of Council's revised retention schedule	31/3/22	Head of Law & Governance and Head of Business Improvement	Each service area to be responsible for compliance with data retention rules and policies to include a reduction in the number of emails stored as unstructured data in outlook accounts.	
3 Review of data protection practices with organisation	31/3/22	Head of Law & Governance	Project to consider the work undertaken by the Council in relation to its data protection practices. This will be in line with the Information Commissioner's accountability tracker on compliance with the data protection principles in the UK GDPR Article 5.	
4 Review handling of freedom of information requests	31/3/22	Head of Law & Governance	Review to improve efficiency and effectiveness in the handling of FOI requests particularly in dealing with	

			information held by the council's companies	
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**ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2021/22**

Action Required	Deadline	Responsibility	Comment	Action Completed
1 Integrate data protection training into staff induction	31/3/22	Head of Law & Governance and Head of Business Improvement	There is a need to ensure that all new staff participate in the relevant data protection training module for their role as part of their induction programme. Envisaged that this will inform the probation period for new employees	
2 Practical implementation of Council's revised retention schedule	31/3/22	Head of Law & Governance and Head of Business Improvement	Each service area to be responsible for compliance with data retention rules and policies to include a reduction in the number of emails stored as unstructured data in outlook accounts.	
3 Review of data protection practices with organisation	31/3/22	Head of Law & Governance	Project to consider the work undertaken by the Council in relation to its data protection practices. This will be in line with the Information Commissioner's accountability tracker on compliance with the data protection principles in the UK GDPR Article 5.	

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4 Review handling of freedom of information requests	31/3/22	Head of Law & Governance	Review to improve efficiency and effectiveness in the handling of FOI requests particularly in dealing with information held by the council's companies	
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**To:** Audit and Governance Committee  
**Date:** 20<sup>th</sup> October 2021  
**Report of:** Head of Financial Services  
**Title of Report:** Appointment of External Auditors 2023/24 to 2027/28

## Summary and Recommendations

**Purpose of report:** To consider the process to appointment external auditors for the next procurement period.

**Key Decision** No

**Cabinet lead member** Councillor Ed Turner

**Policy Framework:** Efficient and Effective Council

**Recommendation(s):** That the Committee:

a) Considers the report to Council (Appendix 1) and recommends to Council that the Council opt in to the national procurement of external auditors

## Appendices

**Appendix 1 – Report to Council on the Appointment of Auditors**

**Appendix 2 – LGA Frequently Asked Questions**

## Background

1. The process for retendering for external audit in local authorities in England, for contracts due to start from 2023/24, is now underway and shortly the council will need to decide whether to procure its own external auditor or opt into the national procurement framework.
2. Legislation requires a resolution of Full Council if a local authority wishes to opt into the national arrangement. The deadline for this decision is the 11th March 2022. If the council doesn't make such a decision, the legislation assumes that the council will procure its own external audit, with all the extra work and administration that comes with it.

## **Future Audit Arrangements**

3. Under the Local Audit and Accountability Act 2014, the Council has to appoint external auditors to complete audits from 2023/24 to 2027/28 following the end of the current audit contract. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to Public Sector Audit Appointments Limited (PSAA) by 11 March 2022.
4. PSAA, a not for profit organisation set up by the Local Government Association (LGA) has been appointed as the appointed body for procuring external auditors under a national contract. There is also the option to appoint auditors on an individual authority basis or to enter into a consortium of local authorities. Since PSAA is letting contracts on a national basis, the expectation is that there will be better value for money achieved through this than any other approach. The recommendation of the Head of Financial Services is that the Council should opt in to contractual process being led by PSAA. PSAA would then assign the external auditors to the Councils that have adopted this approach. In order for the Council to opt in to the national approach, the agreement of full Council is needed and the report to Council is attached at Appendix 1. It is therefore recommended that Audit and Governance Committee recommend to Council that the Council opts in to the national contract.

## **Information from the LGA**

5. The LGA has produced some information to be provided to those charged with governance and this follows. They have also provided some Frequently Asked Questions which are attached at Appendix 2. Information from the LGA:
  - a) The national framework remains the best option councils can choose. There are many reasons for favouring the national arrangements and we think those reasons have become more compelling since 2016/17 when councils were last asked to make this choice.
  - b) The way external audit has operated over the last couple of years has been extremely disappointing. A lack of capacity in the audit market has been exacerbated by increased requirements placed on external auditors by the audit regulator. There is also a limited number of firms in the market and too few qualified auditors employed by those firms. This has led to a situation where many audits have been delayed and dozens of audit opinions remain outstanding from 2019/20 and 2020/21. Auditors have also been asking for additional fees to pay for extra work.
  - c) As the client in the contract, a council has little influence over what it is procuring. The nature and scope of the audit is determined by codes of practice and guidance and the regulation of the audit market is undertaken by a third party, currently the Financial Reporting Council.



Essentially, councils find themselves operating in what amounts to a suppliers' market and the client's interest is at risk of being ignored unless we act together.

- d) Everyone, even existing suppliers, agrees that the supply side of the market needs to be expanded, which includes encouraging bids from challenger firms. Public Sector Audit Appointments Ltd (PSAA), the body nominated by the Government to run the national arrangements, has suggested various ways this could be done, but these initiatives are much more likely to be successful if a large number of councils sign up to the national scheme.
- e) It is therefore vital that councils coordinate their efforts to ensure that the client voice is heard loud and clear. The best way of doing this across the country is to sign up to the national arrangement.
- f) To summarise, the same arguments apply as at the time of the last procurement:
  - A council procuring its own auditor or procuring through a joint arrangement means setting up an Audit Panel with an independent chair to oversee the procurement and running of the contract.
  - The procurement process is an administrative burden on council staff already struggling for capacity. Contract management is an ongoing burden.
  - Procuring through the appointing person (PSAA) makes it easier for councils to demonstrate independence of process.
  - Procuring for yourself provides no obvious benefits:
    - The service being procured is defined by statute and by accounting and auditing codes
    - Possible suppliers are limited to the small pool of registered firms with accredited Key Audit Partners (KAP).
    - Since the last procurement it is now more obvious than ever that we are in a 'suppliers' market' in which the audit firms hold most of the levers.
  - PSAA has now built up considerable expertise and has been working hard to address the issues that have arisen with the contracts over the last couple of years:
    - PSAA has the experience of the first national contract. The Government's selection of PSAA as the appointing person for a second cycle reflects MHCLG's confidence in them as an organisation.
    - PSAA has commissioned high quality research to understand the nature of the audit market.
    - It has worked very closely with MHCLG to enable the government to consult on changes to the fees setting arrangements to deal better with variations at national and local level, hopefully resulting in more flexible and appropriate Regulations later this year

- g) Councils need to consider their options. we have therefore attached a list of Frequently Asked Questions relating to this issue which we hope will be useful to you in reaching this important decision.
- h) When the LGA set up PSAA in 2015, we did so with the interests of the local government sector in mind. We continue to believe that the national arrangement is the best way for councils to influence a particularly difficult market.

### **Financial Implications**

- 6. There is a risk that current external audit fee levels could increase when the current contracts end. The scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
- 7. Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.
- 8. If the national scheme is not used some additional resource would be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional budget may be required for audit fees from 2023/24.

### **Legal Implications**

- 9. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a particular financial year not later than 31 December in the preceding year.
- 10. Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.
- 11. Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
- 12. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

- a) In accordance with the Accounts and Audit Regulations 2015 (as amended), the accounts must be audited, approved and published by 30<sup>th</sup> September 2021.

### **Risk Implications**

13. The principal risks are that the Council:

- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
- does not achieve value for money in the appointment process.

14. These risks are considered best mitigated by opting into the sector-led approach through PSAA.

**Name and contact details of author:-**

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**Background papers: None**

**Version number:**

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**To:** Council  
**Date:** 29 November 2021  
**Report of:** Head of Financial Services  
**Title of Report:** External Audit Contract from 2023/24

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24 and seeks authority for the Head of Financial Services to opt in to the national scheme for auditor appointments on behalf of the Council in accordance with the recommendation from Audit and Governance Committee.
<b>Key decision:</b>	No
<b>Cabinet Member with responsibility:</b>	Councillor Ed Turner, Deputy Leader (Statutory), and Cabinet Member for Finance and Asset Management
<b>Corporate Priority:</b>	None
<b>Policy Framework:</b>	None
<b>Recommendation(s): That the Council resolves to:</b>	
<ol style="list-style-type: none"> <li>1. <b>Accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023;</b></li> <li>2. <b>Authorise the Head of Financial Services to opt in to the national scheme for auditor appointments for the provision of external audit services starting with the audit of the 2023/24 accounts.</b></li> </ol>	

<b>Appendices</b>
None

## **Introduction and background**

1. 1. The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
2. PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
3. If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

## **Procurement of External Audit for the period 2023/24 to 2027/28**

4. Under the Local Government Audit & Accountability Act 2014 ("the Act"), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options:
  - To appoint its own auditor, which requires it to follow the procedure set out in the Act.
  - To act jointly with other authorities to procure an auditor following the procedures in the Act.
  - To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).
5. In order to opt in to the national scheme, a council must make a decision at a meeting of the Full Council.

## **The Appointed Auditor**

6. The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
7. The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.

8. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.
9. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.
10. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

### **Appointment by the Council itself or jointly**

11. The Council may elect to appoint its own external auditor under the Act, which would require the Council to:
  - Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
  - Manage the contract for its duration, overseen by the Auditor Panel.
12. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

### **The national auditor appointment scheme**

13. PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.
14. In summary the national opt-in scheme provides the following:
  - the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
  - appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;

- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

### **Pressures in the current local audit market and delays in issuing opinions**

15. Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.
16. During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.
17. The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.
18. This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing



levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.

19. None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

### **The National Scheme Invitation and Procurement Process**

20. PSAA is now inviting the Council to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.

21. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA has pledged to:

- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
- continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);
- continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.
- seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.

22. The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its

own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.

23. There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

### **Not Opting in to the National Scheme**

24. If the Council did not opt in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
25. Alternatively, the Council could join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
26. These would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The Council would still be unable to influence the scope of the audit and the regulatory regime inhibits the Council's ability to affect quality. The Council and its auditor panel would need to maintain ongoing oversight of the contract.
27. The national procurement provides the appointment of an independent auditor with limited administrative cost to the Council. By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
28. The recommended approach is therefore to opt in to the national auditor appointment scheme.

### **The Process to Opt in to the National Scheme**

29. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council meeting as a whole.
30. The Council then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).
31. PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on

the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

### **Financial implications**

32. There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
33. Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.
34. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

### **Legal issues**

35. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
36. Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.
37. Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
38. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

### **Level of risk**

39. The principal risks are that the Council:
  - fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
  - does not achieve value for money in the appointment process.
40. These risks are considered best mitigated by opting into the sector-led approach through PSAA.

### **Conclusion**

41. The report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:

- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

42. If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

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**Background Papers:** None

**PROCUREMENT OF EXTERNAL AUDIT from financial year 2023/24**  
**FREQUENTLY ASKED QUESTIONS provided by the LGA**

“Were prices set too low in the current contract?”

It is clear that firms did submit bids that reflected what seemed at the time to be very stable market conditions. Unfortunately, a series of financial collapses in the private sector have since created a very different climate and resulted in a whole series of new regulatory pressures. It is very likely that firms thought they could make savings as a result of the new timetable, essentially finishing the accounts audits by the end of July each year. Of course, that is not what has happened.

The Government opened up the market principally on the argument that costs would reduce, and views were mixed in the sector when the first contract was being let. Some councils wanted more savings and some were worried about reduced standards.

“Has the current contract helped cause these issues?”

Since the current contract is based around the Code of Audit Practice and the local government accounting code, this is unlikely. The first year of the new contract coincided with the introduction of new standards and with the emergence of some difficult audit issues such as the McCloud judgement (a legal case which affected the valuation of pension liabilities). The second year was affected by COVID-19. This laid bare the lack of capacity in the supplier side of the market and led to considerable delays. It is hard to see how the contract could have pre-empted this, but now we are clearer about the level of uncertainty in the system, the next contract can adjust for it.

“If we let our own contract, could we have more influence over auditors?”

No. The auditors are required to be independent and are bound by the Codes and need to deliver to them in line with the regulator’s expectations or face action under the regulatory framework.

As far as delays in audits is concerned, auditors are required to allocate resources according to risk and councils that procure for themselves will find themselves in the same queue as those within the national arrangement.

“If we let our own contract, can we get the auditors to prioritise our audit over others?”

Very unlikely. Auditors are running at full capacity and have to deploy resources according to their assessment of audit risks in accordance with professional standards. It is very unlikely that auditors could give preference to some clients rather than others even if they wanted to.

“Didn’t we used to get more from our auditors?”

Yes we did. For example, auditors were often prepared to provide training to audit committees on a pro-bono basis. The fact that they used to be with us for most of the year meant officers could develop professional working relationships with auditors and they understood us better, within the boundaries required of their independent status. Auditors no longer have the capacity to do extra work and the light shone on audit independence in other sectors of the economy has reinforced the rules on the way auditors and councils work together.

“Under the national framework we have had to negotiate our own fee variations. Will that continue to be the case?”

Unfortunately, virtually all councils have had to engage in discussions with auditors about fee variations linked to new regulatory requirements and, of course, the challenges of COVID-19. PSAA has worked hard with MHCLG to enable the recent consultation on changes to the fee setting regime, and the resulting regulatory change will bring scope for more issues to be settled at a national level in future.

“Can we band together in joint procurements to get most of the benefits of not going it alone?”

We understand that this is lawful. However, joint procurement partners would not be part of PSAA’s efforts on behalf of the sector to increase the number of firms competing in the market, which will therefore be less likely to succeed.

At best, joint procurement spreads the pain of procuring over a larger number of councils and at worst it introduces a new layer of bureaucracy, because someone is going to have to take the lead and bring all the members of the consortium along. It’s not altogether clear to us why a joint procurement would be better than the national contract, especially as the consortium would then have to manage the contract throughout its life (for example, the implications of changes of audit scope).

## Minutes of a meeting of the Audit and Governance Committee on Thursday 29 July 2021



### Committee members present:

Councillor Fry (Chair)	Councillor Munkonge (Vice-Chair)
Councillor Coyne (for Councillor Corais)	Councillor Mundy (for Councillor Hall)
Councillor Pressel (for Councillor Chapman)	Councillor Roz Smith

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

Nigel Kennedy, Head of Financial Services  
Yasmin Ahmed (Internal Auditor)  
Scott Warner, Investigation Manager  
Jennifer Thompson, Committee and Members Services Officer

### Also present:

Yasmin Ahmed (Internal Auditor), BDO

### Attending remotely on Zoom:

Bill Lewis, Financial Services  
Susan Sale, Monitoring Officer and Head of Law & Governance  
Adrian Balmer (External Auditor), EY  
Gurpreet Dulay, (Internal Auditor), BDO  
Simon Howick, Managing Director, Oxford Direct Services  
Catherine Pridham, Non Executive Director, Oxford Direct Services

### Apologies:

Councillors Chapman, Corais and Hall sent apologies.

### 1. Election of Chair for 2021/22

Cllr Fry was elected as Chair for the Council year 2021/22.

### 2. Election of Vice Chair for 2021/22

Cllr Munkonge was elected as Vice-Chair for the Council year 2021/22.

### 3. Declarations of Interest

None

#### **4. Investigation Team Annual Report 2020-2021**

The Committee considered a report from the Head of Financial Services setting out the activity and performance of the Counter Fraud Team for the fiscal year 1 April 2020 to 31 March 2021.

Scott Warner, Counter-Fraud Manager, introduced the report and answered questions from the Committee, explaining the changes to the team's work and results due to effects of the Covid pandemic. Income from commercial contracts covered the associated costs. He considered that targets were achievable, although the past year had proved challenging and achievements in some areas (eg social housing property recovery) could be variable.

He explained the work carried out both to encourage genuine applications and to prevent fraudulent applications for the different Covid-related business support grants, and processes to effectively verify and assess applications.

The annual fraud conference, held online, had proved highly successful but would revert if possible to an in-person event as this provided increased benefits for exhibitors and delegates, although at the expense of ease of attendance.

The Committee resolved to exclude the press and public in order to discuss the policy and practical implications arising from the specific investigations outlined in the confidential appendix. When discussion had concluded, the Committee resolved to re-open the meeting to the press and public.

**The Committee agreed to note the report.**

#### **5. Risk Management - Quarter 4 2020/21 and Quarter 1 2021/22 ending 30-6-2021**

The Committee considered a report from the Head of Financial Services setting out the corporate and service risks as at 31 March & 30 June 2021.

The Committee asked questions and noted:

- Service areas defined their own risks with corporate oversight from the Council's risk management group.
- The risk to the delivery of planned capital projects if adequate long-term resources for project management could not be secured, and the funding options available.
- The adverse impact if economic development and city centre management objectives could not be delivered because long term funding could not be secured through budget bids or grants.
- Measures to reduce risks in the Regeneration & Economy area, such as training, sourcing specific skills, and improving skills.

**The Committee agreed to note the report and the quarterly risk registers.**

#### **6. Internal Audit: Progress Report July 21**

The Committee considered the report on progress against the Internal Audit plan and discussed and noted the recommendations.

Yasmin Ahmed and Gurpreet Dulay, the Internal Auditors, introduced the report and explained in answer to questions about the sector update from the Committee:



- On checklists to assess inter-council lending proposals, the auditors' advice is that lending to councils with substantial financial issues (likely to or having had to issue a S114 notice) is inadvisable, but individual councils could take their own view on the risks case by case.
- The further delay of the Fair Funding Review was potentially advantageous for this council, but unwelcome news for those who may have benefited from the changes.
- Shortening the business rates valuation period added to the workload of the Valuation Office, and to the uncertainty for the Council's income and for businesses. The shorter deadline applied to lodging the appeal, not to the outcome: deadlines for resolution were unclear but currently there was a substantial backlog with some 10 year old appeals were still unresolved.
- The Council's companies were responsible for filing their documents with Companies House. The finance team filed accounts for the housing company group and Oxford Direct Services (OXWED filed their own) and the Company Secretary was responsible for other filings. The annual external audit should confirm that these were in order.

**The Committee agreed to note the report.**

## **7. Internal Audit Annual Plan 2021-24**

The Committee considered the Internal Audit Plan for 2021-2024. The Internal Auditors introduced the Plan and answered questions from the Committee.

The Committee noted that the auditors had implemented remote review processes over the past year: these were not as easy as face-to-face working but were working successfully. Reviews of Accounts Receivable and Accounts Payable processes happened every 2<sup>nd</sup> year.

The Committee noted that the Housing Rents Audit (Q3) would cover both the installation of the QL Areon IT system and its operation, and asked for a 'lessons learned' review to be scoped and included. They asked the auditors and Head of Finance to consider carrying out a review of ICT project management.

**The Committee agreed to note and approve the Internal Audit Plan subject to including in this financial year a 'lessons learned' report on the implementation of the QL Areon Housing IT system.**

## **8. Internal Audit Annual Report 2020-21**

The Committee considered the Internal Audit Annual Report for 2020-2021. The Internal Auditors introduced the report and answered questions from the Committee.

The Committee noted that for the Corporate Performance element, the auditors held a workshop on developing an updated set of key performance indicators for each service area and were drawing together a set of corporate and service area performance indicators for use this year.

**The Committee agreed to note the Annual Report.**

## **9. Internal Audit Follow Up Report July 2021**

The Committee considered the report on progress on implementing Internal Audit recommendations, and noted where implementation was either completed or in progress.

The Internal Auditors introduced the report and in answer to questions from the Committee explained:

- Robust follow up processes ensured that recommendations and actions were completed in time. If this was not possible, usually because of workload or inter-related systems impacting on delivery, new completion dates were agreed between the auditors and the actions' owners.
- The procurement strategy was due for a full review in 2022, two years after the last full refresh. A minor review/ refinement of the strategy would take place this financial year.

**The Committee agreed to note the report.**

## **10. Internal Audit Follow Up Report (Companies Oversight)**

The Committee considered the report on progress on implementing Internal Audit recommendations arising from their Companies Oversight report, and noted where implementation of the recommendations was either completed, or in progress and due to be reported at the October meeting.

As part of completion of the 5<sup>th</sup> recommendation, a comprehensive verbal report on the audit opinion issued to Oxford Direct Services (ODS) was given by Simon Howick , MD, and Catherine Pridham, Non-Executive Director and Chair of the ODS Audit Committee.

They gave a thorough overview of the internal audit work carried out by BDO for the company and the work of the audit committee in ensuring systems of control and risk mitigation were in place. ODS had implemented the internal audit recommendations, apart from those relating to the newly operational QL system. The audit committee had agreed a set of processes and policies to ensure robust internal controls were in place. The Audit Committee could provide assurance that ODS had implemented these and appropriate controls were in place.

On the implementation of the report's 4<sup>th</sup> recommendation, Simon Howick confirmed that ODS were aware of the need to demonstrate value for money for the council, and worked hard to achieve this. There was no specific policy requiring sub-contracted work to be placed locally but ODS's procurement strategy mirrored the Council's and thus included the objective of using local firms.

**The Committee agreed to note the Internal Audit report and the verbal report on the audit opinion issued to Oxford Direct Services.**

## **11. External Audit: Draft Audit results report**

The Committee considered the report of the External Auditor EY summarising the status of the audit of the 2020-21 financial statements.

Adrian Balmer, External Auditor, introduced the report and explained the stages remaining before the audit was completed.

Areas of complexity requiring external experts or involving other audit firms included the company group structure and consolidation, property valuation, and pension fund valuation. There were no matters of concern to raise with the committee at this stage.

**The Committee agreed to note the report.**

## **12. Whistleblowing Policy Review July 2021**

The Committee considered a report from the Head of Law & Governance presenting the refreshed Whistleblowing Policy for adoption. Susan Sale, the Head of Law & Governance, introduced the report and answered questions.

The Committee noted that the policy would be included in the Council's Constitution and all staff made aware of it and encouraged to use it if needed. The policy was relevant for all members of staff and elected councillor. Councillors also had other avenues available and should in the first instance raise concerns with the Monitoring Officer. Staff could seek assistance from trade union representatives or senior colleagues.

**The Committee resolved to approve the refreshed Whistleblowing Policy.**

## **13. CIPFA Financial Code update**

The Committee considered a report from the Head of Financial Services advising them of the requirements of the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management Code 2019 (FM Code), which came into operation on 1 April 2021, and the Head of Financial Services' commentary on meeting these requirements.

**The Committee agreed to note the report.**

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

**The Committee agreed to approve the minutes of the meeting held on 22 April 2021 as a true and accurate record.**

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

The Committee noted the dates and times of future meetings.

**The meeting started at 6.00 pm and ended at 8.25 pm**

Chair .....

**Date: Wednesday 29 September 2021**

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