

Minutes of a meeting of the Audit and Governance Committee on Monday 20 January 2025

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Committee members present:

Councillor Fry (Chair)	Councillor Railton
Councillor Roz Smith	Councillor Coyne
Councillor Harley	Councillor Muddiman
Councillor Ottino	

Officers present for all or part of the meeting:

Nigel Kennedy, Head of Financial Services
Bill Lewis, Financial Accounting Manager
Emma Griffiths, Lawyer
Scott Warner, Counter Fraud Manager
Laura Bessell, Local Tax and Benefits Service Delivery Manager
Phil McGaskill, Revenues Service Delivery Manager
Roger Martin, Insurance, Risk Management and Business Continuity Officer
Stephanie Nichols, People Team Operations Manager
Ryan Taylor, Technical Accountant
Andrew Brittain (External Auditor)
Yasmin Ahmed (Internal Auditor)
Hannah Carmody-Brown, Committee and Member Services Officer

Apologies:

None.

22. Declarations of Interest

None.

23. Internal Audit Tender Update

The Head of Financial Services provided a verbal update to the Committee on the results of the internal audit tender. He informed that the Council's contract with BDO, the current internal auditors, ends on 31 March 2025 and that an advert for a new tender was circulated between October and November 2024. This received four submissions, of which two were carried forward for consideration. Following interviews with the two selected companies, involving members from ODS, OX Place and the Chair of this Committee, BDO have been re-appointed as the Council's internal audit provider. The contract has been awarded for an initial period of four years with a possibility for extension to a fifth year and will be valid from April 2025 at a cost of around £115,000 per year. The Head of Financial Services noted his expectations for a seamless transition.

Councillor Smith queried whether the contract included a break clause to which the Head of Financial Services informed that there was not for the first four years, but assured the Committee that if issues arose that there is a mechanism for disputes which could be utilised.

The Chair thanked the Head of Financial Services for the verbal report.

The Committee noted the verbal update.

Councillor Harley joined the meeting.

24. Setting of the Council Tax Base 2025-26

Ryan Taylor, Technical Accountant, Bill Lewis, Financial Accounting Manager, and Laura Bessell, Local tax and Benefits Service Delivery Manager, were present to answer questions.

The Technical Accountant introduced the report to the Committee, noting similarity to the format, calculations, and assumptions of the previous year. The tax base prediction for 2024/25 is projected to be 3% higher than the previous year based on a collection rate of 98% which is consistent with the previous year. The tax base is projected to be 47,63 across four parishes. He explained that on these assumptions the council tax setting calculation will go to Council in February.

Councillor Coyne sought clarification around the attainment of the predicted 98% collection rate to which the Technical Accountant explained that this applies to the total lifetime of the collection period of the debt, including the 2025/26 financial year and all future years; the collection rate is assessed over the whole lifetime of the debt. He assured the Committee that based on previous years, 98% is accepted as an accurate prediction.

Councillor Ottino expressed concern about the number of empty homes and the absence of a designated officer responsible for this; he asked who follows up on empty homes and if public reporting is relied upon to ensure council tax is paid. The Chair

supported this question. The Technical Accountant explained that records are kept and that monitoring empty homes is the responsibility of the Revenues team alongside support from Aspire and housing colleagues. He noted the importance of keeping empty homes to a minimum. Councillor Ottino sought further clarification on who empty homes should be reported to and the Committee heard that housing colleagues should be notified and will be supported by the revenues team. The Local tax and Benefits Service Delivery Manager added that long term empty homes and second homes are reported through online forms completed by inspector officers who walk the city. Fraud officers also identify possible properties that have been empty for long periods and work with housing colleagues to identify derelict properties.

In relation to second homes premiums, the Head of Financial Services informed the Committee that initial plans to implement this by 1 April 2024 were deferred by national government as relevant legislation did not achieve royal assent in time. He explained that the premium is now being implemented as a 100% addition to council tax charges from 1 April 2025 and noted that this was agreed by full Council and supports the 3% rise in the tax base. Councillor Muddiman sought clarification on how second homes are identified and noted that the number reported seemed small. The Local tax and Benefits Service Delivery Manager clarified that correspondence addresses and occupation cross references are utilised to check whether the new premium should apply, and processes exist to monitor numbers of second homes. Finally, the Chair asked whether the Council is charging at the maximum permitted rates for the premiums to which the Technical Accountant confirmed that they are.

The Chair observed that many long-term empty properties are university owned and frequently retained for alternative purposes. On this basis he queried what proportion of the longest-term empty properties are university owned and, in reference to the empty dwelling management order and the role of Aspire, asked how many properties have been identified. The Local tax and Benefits Service Delivery Manager noted that she could find out the percentage relating to university properties and report back to the Committee but noted that in some cases, empty homes have been a result of private families purchasing properties in the hope of a child attending Oxford University and reside there in the future. In terms of Aspire, she recognised it is a new process and noted no successful identifications to date, but assured the Committee that Aspire are being worked closely with to find ways of communicating with empty property owners to bring properties back into use via leases. She noted sticking points including affordability.

Councillor Smith expressed concern at the high rental and purchase prices of houses in Oxford and linked this to the number of empty properties, providing a specific example in Headington. She stated to the Committee that it is important for residents to know the Council is working hard to bring empty homes back into use.

Yasmin Ahmed (Internal Auditor from BDO) joined the meeting.

The Chair observed a gap between the number of those paying certain bands of council tax versus the number of dwellings within these categories and questioned the exemption of some university properties and private schools through charity qualification. She sought information on whether the Council has any power to bring these within the council tax net. The Local tax and Benefits Service Delivery Manager explained that in respect of private schools, amendments to relevant legislation are

awaited from national government, likely in 2026. In respect of universities, case law exists which supports the exemption on charity grounds, regardless of whether the property is being physically used for a charitable purpose or not. The example of Oxford University Press was used.

The Chair thanked officers.

The Committee:

- a. Approved the 2025/26 Council Tax Base for the City Council's area as a whole is set at 47,637.80.**
- b. Approved that the projected level of collection is set at 98%.**
- c. Approved the tax bases for the Parishes, and for the Unparished Area of the City.**

25. Anti-Money Laundering Policy Update

Scott Warner, Counter Fraud Manager, was present to answer questions.

The Counter Fraud Manager introduced the updated policy to the Committee and noted a minor correction on the cover of the report. He clarified that rather than recommending the policy be adopted as part of the Council's policy framework, it is recommended that the policy sits outside of the framework within a suite of Council documents aimed at protecting financial interests. The Counter Fraud Manager explained that the anti-money laundering report forms part of the Council's governance framework and ensures compliance with legal obligations in relevant regulations and makes clear the ongoing commitment to preventing financial crime. The policy was last reviewed in 2019 and has been updated due to changes in national legislation and the Council, including a move to a cashless transaction environment and changes to emerging risks.

The Counter Fraud Manager outlined the main areas of the report which have been updated since 2019:

- Additional clarity on inclusion of contactors and agency staff with compliance into procurement contracts
- References to legislation updated.
- New and updated acts linked to money laundering.
- Policy provisions for the cashless approach which address risks on transactions below £5000 (the current reporting threshold).
- New provisions for risks associated with crypto assets in order to futureproof the policy.

The Counter Fraud Manager assured the Committee that the updated report aligns the Council with current regulations and standards and better equips the Council to manage emerging risks whilst reflecting a proactive stance to safeguarding public funds.

Councillor Smith queried the clarification regarding the recommendation. The Counter Fraud Manager explained that the recommendation requests approval for the policy in

support of the Council's financial procedures and governance procedures, but not as part of the wider policy framework.

Councillor Ottino queried whether the £5000 transaction threshold is outlined through legislation, and how often the Council encounters transactions above the threshold. The Counter Fraud Manager explained that this is a condition of legislation and that all transactions beyond the threshold must be reported to the National Crime Agency via the Suspicious Activity Report. He noted a handful in the last year which required reporting.

Councillor Smith noted the repetition of this topic in previous meetings and an example of council tenants conducting money laundering attempts. On this basis she sought clarification on whether the updated policy would cover similar activity. The Counter Fraud Manager assured the Committee that attention would always be paid to matters or events which directly impact the Council or puts finances at risk, but noted that each case must be considered on its own merits and the police can be involved if necessary. Councillor Ottino referred to business rentals and queried how checks to ensure payments are being taken from legitimate sources are carried out. The Counter Fraud Manager assured the Committee that a suite of due diligence checks is utilised by the relevant team, and where concern exists, the finance team is contacted for approval from the National Crime Agency.

The Chair sought clarity on how many cash transactions take place each year to which it was confirmed to be very few.

The Committee:

- a. Approved the Anti-Money Laundering Policy**
- b. Delegated to Officers to adopt the policy into Oxford City Council's financial and governance procedures.**

The Counter Fraud Manager left the meeting.

26. Risk Update

Roger Martin, Insurance, Risk Management and Business Continuity Officer, and Bill Lewis, Financial Accounting Manager, were present to answer questions.

The Insurance, Risk Management and Business Continuity Officer introduced himself to the Committee, noting he joined the Council in December 2024. The Committee's attention was directed to page 53 containing the first risk update report since July 2024. The report focuses on red risks, the corporate risk register, and the service risk register. It was explained that corporate risks are reviewed periodically by the corporate management team; this is due to be next completed on 3rd February 2025 as means of ensuring that all risks that could threaten the achievement of the 2024/28 strategy are assessed, and to deliver on key statutory duties. Where identified, risks are then included in the corporate risk register. The Committee's attention was drawn to specific examples including:

- Risk number 12 relating to increased cost and complexity of waste disposal which has been reduced to amber in response to receipt of £1.8m additional funding, therefore reducing associated challenges.
- Risk number 6 titled 'Health and safety and compliance with legislative requirements' which has increased from amber to red due to governance issues and the number of urgent key decisions taken in 2024. The Scrutiny Committee recently received a report detailing the actions being taken to mitigate this and it is therefore expect that the risk will be downgraded to amber.

In relation to the service risk register, The Insurance, Risk Management and Business Continuity Officer outlined that periodic reviews are conducted by heads of service and managers. The Committee heard that the risk management group has oversight and is working to approve a programme of review for 2025 with an initial focus on housing and property. The Committee's attention was drawn to some specific examples:

- Risk 17-LG focused on income targets not being met resulting in an increase from amber to red. Mitigations are in place including seeking and maintaining clients, obtaining feedback from service users, and keeping fees and charges under review.
- Risk 6-LG focused on the resilience of the Law and Governances service area for which scores are moving from green to red due to issues with recruitment and retention of staff and concerns around capacity to deliver services. The Committee were assured that focused recruitment is underway to mitigate this.

Councillor Muddiman, in reference to risks CRR7 and page 56, queried why these risks remain red and how long they have been classified as such. The Insurance, Risk Management and Business Continuity Officer committed to checking and reporting back. Councillor Muddiman then asked what is being done to downgrade these to amber, to which the Committee learned that the risk register does not describe any new mitigations since the last report in 2024, but that comments can be made after these risks have been refreshed by the Senior Leadership Team in two weeks.

Councillor Railton queried whether new risks relating to devolution would be considered to which The Insurance, Risk Management and Business Continuity Officer cautioned against prejudging the specific outcome of discussions amongst the Senior Leadership Team but noted it would be likely. The Head of Financial Services concurred.

Councillor Smith focused on risks associated with the climate change emergency and asked whether the conflicting national policies which have impacted targets being met will be assessed and tackled. The question was directed to Councillor Railton as the relevant Cabinet Member who noted that the Council are unable to control conflicts in national policy.

Noting the issues with recruitment and retention of lawyers, Councillor Smith asked whether trainee lawyers and auditors are being considered. The Head of Financial Services explained that with respect to auditors, the Council outsources the service to BDO due to difficulty in recruiting auditors. Councillor Ottino further queried how the shortage of lawyers was not predicted, to which the Legal Services Manager explained that difficulty arises when the impact of new projects, by other departments, on the

(small) legal team is not taken into account appropriately. The team also has difficulty recruiting lawyers as the market is very competitive and the Council finds that it must rely on locums who command high hourly rates; they currently employ six. In support of this, the Insurance, Risk Management and Business Continuity Officer drew the Committee's attention to risk CRR-003 titled 'workforce sustainability' which demonstrated that the issue of recruitment and retention is a wider focus and not only relevant to the Law and Governance Directorate.

Councillor Smith concurred that the risk applies to all local authorities and noted concerns it could be worsened the government's recent devolution announcement alongside other factors. She sympathised with local authority staff and commented on the need for more clarity from central government. The Chair noted these comments.

Councillor Ottino then queried whether trade union discussions and pay rates need reassessment in response to the issues discussed. The Legal Services Manager informed the Committee that work is underway to assess the difficulties that various teams experience with recruitment including a pay and grading review which is yet to be concluded. She could not comment further on this as she is not involved in the work – it is being led by the Head of People.

The Committee reviewed the risk management report and noted the contents.

The Committee then agreed to take item 8 before item 7.

27. Internal Audit Progress Report

Yasmin Ahmed, Internal Auditor from BDO, and Roger Martin, Insurance, Risk Management and Business Continuity Officer, were present to answer questions.

The Internal Auditor introduced the progress report to the Committee. It was explained that the Risk Management Internal Audit Report was assessed against the risk maturity assessment toolkit and progress has not been as extensive as planned due to staff absences in quarter three. Two draft reports exist which focus on homelessness prevention and GDPR. QL optimisation, data analytics, and affordable housing reports are also underway. These are expected to be completed by July 2025. In respect of the Internal Audit planning process, the Committee heard that actions are underway to complete the 2025-26 internal audit plan which will be presented to the Head of Financial Services and the operational delivery group in February for feedback. It is expected this plan will be brought to the Committee in April for approval.

The Chair referred to page 97 and noted regret at the limitations with the draft homelessness prevention and GDPR reports, asking what issues had given rise to this. The Internal Auditor noted that the homelessness prevention report required further information, which was being requested. In respect of the GDPR report, the Internal Auditor noted that a comment would be made at the next meeting of the Committee.

The Insurance, Risk Management and Business Continuity Officer commented that with regards to the risk management report, the Council is generally in agreement with the

Internal Auditor. He gave several examples of recommendations made to the Council which had been accepted including the need to ensure that the controls within the risk register were up to date and had the correct information. The Council will consider a risk appetite statement for inclusion within the risk management strategy. The statement would need to be agreed by the Risk Management Group and Audit and Governance Committee.

The Chair thanked the officers.

The Committee noted the report.

28. Internal Audit - Follow up of recommendations

Yasmin Ahmed, Internal Auditor from BDO, Phil McGaskill, Revenues Service Delivery Manager, and Stephanie Nicholls, People Team Operations Manager, were present to answer questions.

The Internal Auditor introduced the report which outlined the audit reviews and associated high and medium recommendations. The Committee heard that most recommendations have been implemented but understood that five in relation to recruitment and retention remain outstanding. The Internal Auditor explained that these cannot be marked as completed until fully embedded. In relation to the Accounts Review, one recommendation on 'accounts payable' remains in progress whilst processes are discussed with ODS. Finally, the Internal Auditor outlined one recommendation for data analytics focused on procurement card transactions which is being reviewed on a regular basis and reminders sent to officers. It is intended that a further follow-up report will be provided to the Committee in April.

The Head of Financial Services left the meeting.

The Revenues Service Delivery Manager noted that considerable progress has been made to mitigating and ruling out risks. Specific focus was paid to the red risk relating to the audit actions required for credit card payments for which a new process is now in place, but it was explained that this has not been operating long enough for the Internal Auditor to be satisfied that the risk can be downgraded. Furthermore, in relation to the medium risk around reporting and delivering KPIs, The Revenues Service Delivery Manager explained that the operating system which supports the reporting tool was out of date and a new tool is being procured. He noted this should in place for the next meeting of the Committee.

The People Team Operations Manager commented in relation to the five amber risks associated with recruitment and retention of staff and assured the Committee that progress is being made on all necessary actions with a focus on embedding. The Committee learned that the new recruitment and selection policy is complete, noting a delay due to employee turnover and operational pressures. Additionally, the workflow chart is available on the intranet to accompany the policy which demonstrates further progress since the publication of the progress report. It was noted that multiple systems are still being utilised to input data as iTrent is insufficient for all functions, but The

People Team Operations Manager notified the Committee that a new system will be procured as a replacement. Finally, the Committee heard that engagement with managers on the changes continues, monitoring data is being collected across some categories, and document storage systems will remain the same. She noted the completion of 4A, 4B and 5B and committed to providing the necessary evidence to the Internal Auditor.

Councillor Ottino asked the Internal Auditor why the actions listed relate more to recruitment than retention, to which she noted that there is one recommendation about retention policy but committed to checking and reporting back to the Committee.

The Chair queried what data exists to demonstrate the turnover rates amongst new recruits to the Council and whether this is high. The People Operations Manager committed to isolating this data and reporting it back to the Committee.

The Chair also noted that computer systems seem to be a key hurdle in making progress and queried whether this is being addressed in the Council budget to which the People Operations Manager committed to finding out.

The Chair thanked the officers.

The Committee noted the report.

29. External Auditors Progress Report

Andrew Brittain, External Auditor from EY, and Bill Lewis, Financial Accounting Manager, were present to answer questions.

The External Auditor introduced himself to the Committee and summarised the update report on the 2023/24 plan which was originally brought to the Committee in October 2024. The progress report demonstrates the key areas of audit focus. The Committee heard that:

- Work on REFCUS has been completed with no issues to bring to the Committee's attention.
- For the valuation of land and buildings, queries in relation to specialist reviews of the assets have all been addressed. He is waiting for a finalization report from their internal valuation team but he does not expect there to be anything significant arising from their work.
- Work on the pension valuation is well progressed and is in the review stage. Reports have been received from their specialist team and the pension fund auditors.
- Reporting from subsidiary auditors on group consolidation has been received and final consolidation entries within the group accounts are in progress.

The External Auditor referred the Committee to Appendix B outlining the details of continuous work that is ongoing and emphasised that all areas are subject to final review.

The Head of Financial Services rejoined the meeting.

The Chair, in relation to page 120 on value for money, queried when the report will be ready. The Committee were informed this would be ready in line with the report on financial statements which is also ongoing. The Financial Accounting Manager requested that the Committee note the substantial work on this specific audit in comparison to previous years and thanked council officers and auditors for this. The External Auditor concurred, and the Chair noted the comments and expressed thanks.

Councillor Smith queried whether through challenging the key assumptions used by valuers, delays could be expected or the point of reaching an unqualified opinion be reached. The External Auditor noted that the process is ongoing, and a conclusion could not be made but explained that additional queries are being communicated and that neither adjustment nor delays are currently expected. Councillor Smith sought further clarification on whether the valuation makes a difference to end balances of the general fund to which the External Auditor confirmed it would not. Councillor Smith expressed some frustration at the current audit processes.

Councillor Railton questioned how much overlap exists with valuations for insurance. The Committee welcomed this question to which the Financial Accounting Manager explained that insurance valuations are separate from property valuations and completed by an actuary. He also informed the Committee that an insurance valuation is currently underway to assess all historic claims and predicted costs.

The Chair thanked the officers.

The Committee noted the report.

The External Auditor left the meeting.

30. Statement of Accounts for the Year Ending 31st March 2024

Bill Lewis, Financial Accounting Manager, was present to answer questions.

The Chair informed the Committee that he would submit a list of specific questions to the Financial Accounting Manager via email outside of the meeting and recommended members also do so.

The Financial Accounting Manager presented the report to the Committee stating that the purpose is to seek the Committee's approval for a delegation for the statements to be signed off. He provided the Committee with some background information describing that the Council obtained disclaimed opinions on the 2021/22 and 2022/23 accounts which will inhibit the achievement of a clean audit. He directed the Committee to p.157 which outlines the potential trajectory depending on progress of the heavy workload. He informed the Committee that the best option would be for the Council to obtain an unmodified opinion, also referred to as unqualified opinion, by 2026/27. Furthermore, he explained that a few unsubstantial changes are likely to be made to the statement of accounts for 2023/24 but assured the Committee that these would be

communicated to the Chair and Head of Financial Services assuming the recommendation to provide the delegation is agreed. It was clarified that the delegation would cover the Statement of Accounts for 2023/24 and a letter or representations for 2023/24 for which a draft is not available prior to national review at EY. The Committee was provided a previous example from 2022/23 within the agenda pack; the Financial Accounting Manager noted that questions can change each year depending on the audit and national moves.

The Chair focused on p.157 and asked the External Auditor if he felt confident that the predicted trajectory will represent Oxford City Council to which he commented that each year is dependent on the previous and that the trajectory provided is based on national guidance. The External Auditor confirmed that he expects most councils to achieve this but would not commit to certainty.

Councillor Muddiman queried the potential consequences of devolution on the accounts to which the Financial Accounting Manager was unable to provide a definitive answer. He predicted that any accounts would be combined during the creation of the new organisation and noted that the trajectory would be delayed. The External Auditor noted the question required a hypothetical response but drew on the example of Buckinghamshire to explain what happened during the transition to a unitary authority, noting all assets and liabilities were subsumed into a new body. Councillor Muddiman sought clarification on whether it is still incumbent on the new body to carry on with retrospective work on the accounts for previous entities to which the External Auditor advised that this would not be the case. He did not speculate any further.

The Chair questioned whether the disclaimer would affect the terms on which the council companies could obtain borrowings. The Head of Financial Services explained that local authorities are distinct from the expectations within the private sector and therefore noted that he would not expect considerable impacts on ODS and OX Place. The Committee heard that, as the Chief Financial Officer, he could provide a letter of support to companies to support borrowing despite the presence of disclaimed accounts. He noted belief that this should smooth out any issues. The Head of Financial Services also clarified to Councillor Smith that this would not affect treasury management.

The Chair reiterated that specific questions could be emailed to the Financial Accounting Manager, and answers would be circulated to all Committee members.

The Committee:

- a. **Noted the report and the potential audit trajectory.**
- b. **Approved the 2023/24 Statement of Accounts as agreed by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts incorporating any further changes arising from the ongoing audit.**
- c. **Agreed to the signing of a Letter of Representations for 2023/24 incorporating any statements required by the external auditor arising from the ongoing audit to enable it to be signed and dated on date of signing and to enable the opinion to be issued (paragraph 10).**

31. Minutes of the previous meeting

The Committee **approved** the minutes of the meeting held on 29 October 2024 as a true and accurate record.

32. Dates and times of meetings

The Committee noted the dates and times of future meetings.

The meeting started at 6.02 pm and ended at 7.35 pm

Chair
2025

Date: Wednesday 2 April

When decisions take effect:

Cabinet: after the call-in and review period has expired

Planning Committees: after the call-in and review period has expired and the formal decision notice is issued

All other committees: immediately.

Details are in the Council's Constitution.