

OF A MEETING OF THE

Joint Audit and Governance Committee

HELD ON MONDAY 29 JANUARY 2018 AT 6.30 PM
MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK OX14 4SB

Present

Members:

South Oxfordshire District Councillors: Kevin Bulmer, John Walsh and Richard Pullen (in place of Toby Newman)
Vale of White Horse District Councillors: Dudley Hoddinott, Simon Howell (Chairman) and Chris Palmer

Officers

Sandy Bayley, Yvonne Cutler-Greaves, Simon Hewings, William Jacobs, Nilesh Parmar, Ron Schrieber and Mark Stone

Also present:

Councillors Robert Sharp and Emily Smith. Andrew Brittain and Malcolm Haines (EY). John Backley (Vinci), Ian Miles (Arcadis) and Richard Spraggett (Capita Accountancy).

34 Apologies for absence

South Oxfordshire District Councillor Toby Newman had submitted apologies for absence. Councillor Richard Pullen substituted for him.

Vale of White Horse District Councillor Henry Spencer had submitted apologies for absence.

35 Minutes

RESOLVED: to adopt as a correct record the minutes of the committee meeting held on 25 September 2017 and agree that the chairman signs them as such.

36 Declarations of interest

None.

37 Urgent business and chairman's announcements

The chairman announced that a member of the public would be recording part of the meeting.

38 Public participation

None.

39 External auditor's annual letters 2016/17

The committee considered the external auditor's annual audit letters for 2016/17 and noted that an unqualified opinion had been issued on both South Oxfordshire and Vale of White Horse District Councils' financial statements.

The external auditor had concluded that both councils had put in place proper arrangements to secure value for money in its use of resources except in relation to the senior management restructure. However, it was noted that both councils had set up a new interim structure in August 2017 and was currently recruiting new heads of service in order to increase senior management capacity.

RESOLVED: to note the external auditor's annual audit letters for 2016/17.

40 External auditor's report on the certification of claims and returns 2016/17

The committee considered the external auditor's certification of claims and returns annual report for 2016/17 and noted that there had been minor amendments to South Oxfordshire's housing benefits subsidy claims and no significant issues with either councils' claims.

RESOLVED: to note the external auditor's certification of claims and returns annual report for 2016/17.

41 South Oxfordshire and Vale of White Horse District Councils' Audit Planning Report 2017/18

The committee considered EY's audit plan 2017/18 which set out how they intended to carry out their responsibilities as the councils' external auditor.

No significant financial statement risks had been identified other than the accepted general risk of fraud in revenue recognition and management override. In addition, the implementation of the corporate services contract and the senior management restructure had been identified as significant value for money risks.

The committee considered the potential implications of the bringing forward of the statutory deadlines for the publication of the statements of accounts. The committee was informed that EY would be submitting a progress report on its interim work and any control observations to the next meeting.

RESOLVED: to note the South Oxfordshire and Vale of White Horse District Councils' audit plan 2017/18.

42 Risk management framework

Further to the September 2017 meeting when the committee approved the council's risk management strategy and framework, it considered a report detailing the risk management activity to date.

The committee was informed that corporate risk registers were being drafted and that the senior management team had reviewed and evaluated the gross risk score and had identified the risk owners. The next step was to complete the registers by reviewing the existing mitigation actions with each risk owner, identifying the "net" risk score to take these actions into account and identify any further actions required.

In response to member's questions, the committee was advised that:

- Risks relating to IT and HR were included in a separate 5 Councils' Partnership risk register
- The financial implications of the identified risks had yet to be costed but would be significant

The committee had previously agreed to receive progress reports every six months. However, due to the requirement to approve the statement of accounts' items at the July meeting, the next progress report was unlikely to be submitted to committee until October. Accordingly, members requested that an update be circulated in May/June.

RESOLVED: to note the progress report.

43 Internal audit activity report quarter three 2017/2018

The committee considered the interim audit manager's report on internal audit activity during the third quarter 2017/18. This summarised the outcomes of recent audit activity.

Four audits had been completed during the quarter, two of which had received limited assurance. A follow-up review of the councils' response to the Crowmarsh fire was also submitted.

Property Management 2017/2018

The committee considered the main findings and recommendations of the internal audit report.

Members expressed concerns about high and medium risk recommendations not being implemented despite the agreed implementation dates having passed. The committee was advised that, subsequent to the implementation dates having been agreed, the responsible officer had left his post and his replacement had only taken up the position recently. Accordingly, some of the implementation dates had been put back.

Members requested that if changes to implementation dates were agreed after the publication of the internal audit report, then the committee should be notified of this prior to its consideration.

Credit card issue and authorisation

Officers reported on the management of risk in relation to council credit card usage and, in particular, controls on expenditure and the means by which credit card holders who have left the council returned the cards and were removed from the system as soon as possible.

Follow-up – Review of Crowmarsh fire

At the committee's request, a follow-up review had been undertaken to ensure that the agreed recommendations had been implemented within the agreed timescales.

Of the 19 recommendations, five had been implemented and one was no longer applicable. Revised dates had been agreed for the remaining 13 recommendations which had been partly implemented. Most of these would be implemented once draft continuity and emergency plans were approved and rolled out.

There were also 16 lessons learnt, two of which had been implemented at the time that the report was issued and a further seven had now been implemented. Revised dates had been agreed for the remaining seven which would also be addressed when the draft plans were approved.

Overdue recommendations

Appendix 2 to the report summarised all overdue recommendations within each service area and those which were the responsibility of a contractor.

The committee thanked the officers for their continuing efforts to revise the overdue recommendations tables to reflect the councils' new management structure.

RESOLVED: to note the internal audit activity report for the third quarter 2017/18.

44 Internal audit management report quarter three 2017/2018

The committee considered the interim audit manager's management report on internal audit for the third quarter of 2017/18.

The committee was advised that, subsequent to the publication of the report, the anticipated temporary appointment of an agency auditor to back-fill a current vacancy had fallen through. Consequently, it was possible that some of the internal audit priorities for quarter four set out in the report might slip into the next financial year.

RESOLVED: to note the internal audit management report for the third quarter of 2017/18.

45 Statement of accounts 2017/18

The committee considered an update from Capita's accountancy team on preparations for the 2017/18 final accounts.

In response to members' questions, the committee was advised that the work was progressing well and there were sufficient resources in place to ensure compliance with the statutory deadline.

RESOLVED: to note the report.

46 Treasury management mid-year monitoring report 2017/18

The committee considered the head of finance's report that monitored performance of the council's treasury management function for the first half of 2017/18.

The committee was informed that, subsequent to the publication of the report, a breach of counterparty limits had occurred due to Vale of White Horse receiving £12.4m for the sale of land at West Way.

In response to a member's question, the committee was advised that the income expected to be received by both councils on treasury investments would be reflected in future income investments.

RECOMMENDED to Cabinets to recommend Councils to:

1. note the treasury management mid-year monitoring report 2017/18;
2. record that the committee is satisfied that the treasury management activities are carried out in accordance with the treasury management strategy and policy; and
3. request the cabinets to consider the comments of this committee and recommend the Councils to approve the report.

47 South Oxfordshire District Council treasury management strategy 2018/19

The committee considered the head of finance's report that set out South Oxfordshire District Council's treasury management and investment strategy for 2018/19 to 2020/21.

The proposed strategy for 2018/19 included the following changes from that approved in 2017/18:

Investment type addition

Adding another investment type will allow the council wider choice of investment in the future as the pool of low risk counterparties reduces. There are no plans currently to invest in this vehicle.

- To add Non-UCITS Retail Schemes (NURS) to the strategy with a limit of £5 million

Maturity period adjustment

This change is proposed to reflect more closely the risk of these investments in the period over which investments can be made.

- To change the maximum maturity period from 1 year to 2 years for institutions with a minimum rating of F1/A-

- To change the maximum maturity period from 2 years to 3 years for institutions with a minimum rating of F1/A

Maximum ratio of total investment adjustment

Over the last year, the council's treasury balances have exceeded the historical levels upon which the treasury limits were based. This situation is expected to continue into the future and to ensure that the council's treasury limits now reflect the organisations needs the following changes are proposed:

- To increase the maximum investment total with building societies with assets over £1,000 million to 30 per cent
- To increase the maximum investment total with building societies with assets over £3,000 million to 40 per cent
- To increase the maximum investment total with building societies with assets over £5,000 million to 50 per cent

RECOMMENDED to Cabinet to recommend Council to:

1. approve the treasury management strategy 2018/19 set out in appendix A to the head of finance's report;
2. approve the prudential indicators and limits for 2018/19 to 2020/21 as set out in table 2, appendix A to the head of finance's report;
3. approve the annual investment strategy set out in appendix A (paragraphs 18 to 58), subject to the head of finance consulting the co-chair of the Joint Audit and Governance Committee before investing in any Non-UCITS Retail Scheme, and the lending criteria detailed in table 5 to the head of finance's report.

48 Vale of White Horse District Council treasury management strategy 2018/19

The committee considered the head of finance's report that set out Vale of White Horse District Council's treasury management and investment strategy for 2018/19 to 2020/21.

The proposed strategy for 2018/19 included the following changes from that approved in 2017/18:

Counterparty limits

Over the last year, the council's treasury balances have exceeded the historical levels upon which the treasury limits were based. As a result temporary increases in treasury limits were required to be sought, through delegated powers to allow the council to continue to manage its treasury function effectively. This situation is expected to continue into the future and to ensure that the council's treasury limits now reflect the organisations needs the following changes are proposed:

- To raise the investment limit with building societies with assets over £1 billion to £4 million from £3 million.

- To raise the investment limit with building societies with assets over £3 billion to £5 million from £3.5 million.
- To raise the investment limit with building societies with assets over £5 billion to £7 million from £5 million.
- To raise the investment limit with institutions with a minimum F1 rating to £10 million from £7.5 million.

Investment type addition

Adding another investment type will allow the council wider choice of investment in the future as the pool of low risk counterparties reduces. There are no plans currently to invest in this vehicle.

To add Non-UCITS Retail Schemes (NURS) to the strategy

RECOMMENDED to Cabinet to recommend Council to:

1. approve the treasury management strategy 2018/19 set out in appendix A to the head of finance's report;
2. approve the prudential indicators and limits for 2018/19 to 2020/21 as set out in table 2, appendix A to the head of finance's report;
3. approve the annual investment strategy set out in appendix A (paragraphs 18 to 59), subject to the head of finance consulting the co-chair of the Joint Audit and Governance Committee before investing in any Non-UCITS Retail Scheme, and the lending criteria detailed in table 5 to the head of finance's report.

49 Work programme

The committee reviewed and noted its work programme.

The meeting closed at 8.30 pm

Chairman

Date