

Minutes



Listening Learning Leading



OF A MEETING OF THE

Joint Audit and Governance Committee

HELD ON THURSDAY 12 JULY 2018 AT 6.30 PM
MEETING ROOM 1, 135 EASTERN AVENUE, MILTON PARK, MILTON,
OX14 4SB

Present

Members:

South Oxfordshire District Councillors: Alan Thompson, John Walsh and Ian White

Vale of White Horse District Councillors: Simon Howell (Chairman), Mike Badcock, Dudley Hoddinott, Simon Howell, Chris Palmer, Alan Thompson, John Walsh and Ian White

Apologies:

South Oxfordshire Councillor Toby Newman tendered apologies.

Officers

Sandy Bayley, David Fairall, Simon Hewings, William Jacobs, Adrianna Partridge and Ron Schrieber and Mark Stone

Also present:

Clare Dorey, Brian McClurg and Raj Patel, Capita

1 Minutes

RESOLVED: to adopt as a correct record the minutes of the committee meeting held on 26 March 2018 and agree that the chairman signs them as such.

2 Declarations of interest

None.

3 Urgent business and chairman's announcements

The chairman reported that it had again been necessary to defer submission of the internal audit review of the five councils' partnership governance arrangements to a future meeting as the inter-authority agreement had yet to be confirmed.

The committee accepted the chief executive's assurance that negotiations were in accordance with the committee's requests.

4 Public participation

None.

5 Payroll key performance indicators (KPIs), progress report and rectification plan

Further to Minute 57 of the meeting held on 26 March, Capita had submitted the payroll key performance indicators (KPIs) for the last six months, a progress report on the implementation of recommendations made by internal audit and the rectification plan.

Representatives of Capita attended to introduce the item and to answer members' questions.

The committee was informed that the overall target for payroll performance applied across the partnership rather than to individual councils. There were 20 elements to each employee's pay; if there was an error in just one element for one individual this might constitute a failure to meet the KPI. However there had been a steady improvement in performance over the last six months.

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

- The relocation of the service to Belfast had had no detrimental effect on performance; and
- The rectification plan actions were now complete but required sign off by all clients. This was expected in the near future.

With regard to the implementation of the internal audit recommendations, the interim internal audit manager reported that 7 of the 14 recommendations had been closed, 4, which were stated as implemented were awaiting sign off by internal audit, and 3 had not yet reached the implementation date.

RESOLVED: to note the KPIs, progress report and rectification plan.

6 Impact of Capita restructuring of accountancy service on completion of statement of accounts

At its meeting on 26 March 2018 (Minute 53 refers), the chairman had expressed concern about the timing of Capita's proposed restructuring of the accountancy team and its potential impact on the completion of South and Vale's statement of accounts. Accordingly, he had asked officers to report back to the committee on this matter.

The head of finance reminded the committee that, at that meeting, it had been reported that progress on the completion of the accounts had been on track. Since then both councils' draft accounts had been completed in accordance with the statutory timetable. However, he tabled a letter from the external auditors dated 11 July, stating that the "query

log” had not been sufficiently addressed to allow them to conclude the audit and it had been postponed.

The head of finance reported that the external auditors had not expressed any concerns about the accuracy or quality of the accounts. The issue was the delay in responding to their inquiries.

In response to member’ questions, Capita’s representative stated that the restructure did not impact upon the accountants’ ability to complete the accounts and that deadlines had been met. The problem had arisen due to a misunderstanding about the deadline by which EY required additional information.

The chief executive reported that the consequence of the councils’ failure to meet the statutory deadline was reputational damage. He was due to meet with EY’s associate partner on 24 July to discuss the way forward.

The committee asked for further information on what had led to the suspension of the audit and the chairman requested that the query log be circulated. The committee requested that the audit be concluded as quickly as possible and asked for some assurance that this year’s events would not be repeated.

Following further discussion, it was agreed that the co-chairs should attend the meeting with EY on 24 July and that, following this, they should agree the way forward, including a communications strategy.

On behalf of the committee, the chairman thanked Capita for attending and expressed regret at EY’s failure to send a representative to outline their version of events.

RESOLVED:

1. To request EY and Capita to identify, as a matter of urgency, the actions which need to be taken to ensure that the external audits are completed as soon as possible; and
2. To accept the officers’ assurance that there is no reason to believe that EY had any concerns about the accuracy and quality of the accounts.

7 Internal audit management report quarter one 2018/2019

The committee considered the internal audit manager's management report on internal audit for the first quarter of 2018/19.

The committee noted that internal audit continued to carry a vacancy and that the two-month period of reduced capacity, allowed for in the 2018/19 audit plan, had been exceeded. An internal audit manager had been appointed and would take up the post in September.

RESOLVED: to note the internal audit management report for the first quarter of 2018/19.

8 Internal audit activity report quarter one 2018/2019

The committee considered the interim audit manager's report on internal audit activity during the first quarter 2018/19. This summarised the outcomes of recent audit activity.

Ten audits had been completed during the quarter, one of which had received limited assurance.

Creditors 2017/2018

The committee considered the main findings and recommendations of the internal audit report. Officers and representatives of Capita attended to provide further updates and answer members' questions.

The committee expressed concern about the apparent lack of control mechanisms in place to ensure that no duplicate payments were made. It also noted that, of the ten recommendations made in the March 2017 internal audit review, five had been restated and urged Capita to ensure that they were implemented as soon as possible.

Overdue recommendations

The committee was advised that the update and relaunch of the recommendations database for monitoring and reporting overdue recommendations had been delayed as, following on from the management restructure, not all service teams were in place.

RESOLVED: to note the internal audit activity report for the first quarter 2018/19.

9 Internal audit annual report 2017/2018

The committee considered the interim audit manager's annual report on internal audit activity during 2017/18.

It was the interim audit manager's unqualified opinion that, based on the areas reviewed during the year, satisfactory assurance could be placed on both councils' general risk management, control and governance processes. Overall, there was basically a sound system of internal control at both councils, but there were some weaknesses which might put some system objectives at risk. There had been a slight improvement in the control environment within key financial systems across both councils since 2016/2017.

The committee noted the improvement in internal audit assurance ratings in 2017/18 and, on behalf of the committee, the chairman thanked Sandy Bayley for the effective way in which she had undertaken her role pending the appointment of an internal audit manager.

RESOLVED: to note the internal audit annual report 2017/18.

10 Work programme

The committee considered the work programme and noted that, in view of the external auditor's decision to postpone the completion of the external audits (Minute 6 refers), the items scheduled for the 30 July meeting were likely to be deferred to a later date.

The meeting closed at 8.30 pm

Chairman

Date