

Minutes



Listening Learning Leading



OF A MEETING OF THE

Joint Audit and Governance Committee

HELD ON THURSDAY 26 NOVEMBER 2020 AT 6.30 PM
THIS WILL BE A VIRTUAL, ONLINE MEETING.

Present

Members:

South Oxfordshire District Councillors: Mocky Khan (Co-chair), Peter Dragonetti, George Levy and Jane Murphy

Vale of White Horse District Councillors: Andy Foulsham (Co-chair – in the Chair), Simon Howell and Mike Pighills

Officers

Steve Culliford, Victoria Dorman-Smith, Simon Hewings and Jeremy Lloyd

Also present:

Malcolm Haines and Kevin Suter from the external auditor, EY

Observers:

Councillors Sue Cooper, Leigh Rawlins and Anne-Marie Simpson (all South Oxfordshire District Council), and Andy Crawford (Vale of White Horse District Council)

29 Apologies for absence

None

30 Minutes

RESOLVED: to adopt as a correct record the minutes of the committee meeting held on 22 September 2020 and agree that the co-chair signs them as such.

31 Declarations of interest

None

32 Urgent business and chair's announcements

The chair announced that the review of the sampling methodology used in the housing benefit and council tax reduction scheme 2019/20 audit would be brought back to the next committee meeting in the internal audit report.

The chair also announced that the statement of accounts for 2018/19 had been signed off. The external audit of the 2019/20 accounts would commence in January and be brought to the committee in March 2021.

33 Public participation

None

34 External auditor's annual audit letter 2018/19

Kevin Suter of EY, the councils' external auditor, presented the annual audit letter for 2018/19. This gave an unqualified opinion of the councils' financial statements; the statements gave a true and fair view of the financial position of the councils as at 31 March 2019 and of the expenditure and income for the year. The audit letter concluded that the councils had put in place proper arrangements to secure economy, efficiency and effectiveness and had secured value for money in the use of resources. There were no exception reports. The audit had been completed on 23 October 2020, delayed this year by the Covid-19 pandemic.

The committee welcomed the report and thanked the external auditor.

RESOLVED: to note the external auditor's annual audit letter 2018/19.

35 Treasury management mid-year monitoring report 2020/21

The committee considered the report of the interim head of finance. This set out a review of the treasury management performance at the mid-point of the 2020/21 financial year. The report projected that South Oxfordshire could be marginally under budget at the year end, whereas as the Vale of White Horse could be slightly above. The differences were minor, resulting from the types of investments and their maturity dates. The returns had been achieved within the counterparty limits and the prudential indicators set out in the treasury management strategy 2020/21.

The report also discussed the possible scenario of negative interest rates and their effect on the council's treasury management performance. In such a scenario, the councils' income would likely fall. This might require the council to seek longer term investments at higher interest rates and to increase its use of notice accounts. A reduction in investment income would have to be reflected in the medium term financial plans. Officers would monitor the situation closely.

The committee welcomed the report.

RESOLVED: to

- (a) note the treasury management mid-year monitoring report 2020/21; and
- (b) advise Cabinet that the committee is satisfied that the treasury activities are being carried out in accordance with the treasury management strategy and policy.

36 Redmond review of local authority financial reporting and audit

The committee considered the report of the interim head of finance. This set out the key findings and recommendations of the independent Redmond review into the effectiveness of local government financial reporting and external audit.

The key findings from the review included:

- there was an ineffective balance between price and quality, with 40 per cent of external audits in 2018/19 failing to meet required reporting deadlines in part due to under-resourcing and lack of experienced staff
- a lack of co-ordination and regulation of external audit activity
- outcomes not always being effectively considered and presented to local authorities and the public
- the technical complexity of statutory accounts limiting public understanding and scrutiny

The recommendations arising from the review would be considered by relevant bodies. Assuming the recommendations were implemented, the key implications for the councils included:

- a likely increase in audit fees to enable local audit requirements to be fulfilled effectively
- a requirement for the external auditor to present an annual report directly to full Council
- the appointment of at least one suitably qualified independent member to the audit committee
- an additional requirement to produce a standardised statement of service information and costs
- a revised timetable, with a change in the reporting deadline from 31 July to 30 September

Some recommendations would require primary legislation. It was expected this could be in place for the audit of the 2021/22 accounts. The review had also recommended that for 2020/21, the new standardised financial statement of service information and costs was produced on a trial basis, with full implementation as an audited statement in 2021/22.

The committee noted the review outcome with interest and the possible changes this could bring. The external auditor, on being asked for an opinion, also welcomed the review outcome.

Councillors requested that officers conduct training for committee members on their role in signing off the statement of accounts and on how to make the best use of internal audit reports.

RESOLVED: to

- (a) note the report on the Redmond review of local authority financial reporting and external audit; and
- (b) request officers to conduct training for committee members on their role in signing off the statement of accounts and on how to make the best use of internal audit reports.

37 Work programme

The committee reviewed and updated its work programme.

The meeting closed at 7.22 pm

Chair

Date