

**Vale of White Horse District
Council**

**Auditor's Annual Report
Year ended 31 March 2021**

4 July 2022



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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.psaa.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 Joint Audit & Governance Committee and management of Vale of White Horse District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit & Governance Committee and management of Vale of White Horse District Council 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 Joint Audit & Governance Committee and management of Vale of White Horse District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Authority's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 25 May 2022
Going concern	We concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statements	We concluded that other information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We concluded that we are satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We have had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 16 May 2022 and presented this to the Council at its Joint Audit & Governance Committee meeting on 24 May 2022.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	<p>We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued.</p> <p>We expect that the Council will remain below the de-minimis for full procedures, which in the prior year was set at £500m. Therefore, we anticipate having no issues to report.</p>

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in a number of areas. As a result, we intend to agree an associated additional fee with the Head of Finance. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Kevin Suter

Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities

Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Planning Report that we issued in January 2022 and presented to the Joint Audit & Governance Committee on 25 January 2022. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit – Vale of White Horse District Council

Key issues

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 25 May 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Council at their Joint Audit & Governance meeting on 24 May 2022. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<p>Misstatements due to fraud or error - management override of controls</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p> <p>We did not identify any unusual or unsupported journals, or other adjustments made in preparing the financial statements.</p>
<p>Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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.</p> <p>From our risk assessment, we have assessed that the risk manifests itself through the potential to inappropriately capitalise revenue expenditure to improve the financial position of the general fund, or to incorrectly classify expenditure as Revenue funded from capital under statute (REFCUS).</p>	<p>We tested a sample of capitalised additions and confirmed they met the capitalisation requirements under IAS16.</p> <p>We tested a sample of REFCUS items and confirmed they were appropriately classified</p> <p>We identified:</p> <ul style="list-style-type: none"> in REFCUS that the Council included salary recharges for survey works to council properties which did not meet the criteria. <p>We assessed the misstatement and concluded it was caused by error and not by fraud.</p>

Financial Statement Audit – Vale of White Horse District Council (continued)

Other area of audit focus	Conclusion
<p><u>Valuation of Land and Building, and Investment Property</u></p> <p>The value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in both Council’s balance sheets and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We completed our planned procedures identified no material misstatements.</p> <p>We identified that the Council had not obtained the detailed valuation report until we requested it for our audit. Therefore, we have identified a control deficiency as the Council could not have reviewed the valuations without the report. The impact was that a property of £2.9m was initially omitted from the accounts.</p>
<p><u>Pension Liability Valuation</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 fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Councils’ balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Our testing has identified no material misstatements.</p> <p>We have concluded that we could rely on the work of the Pension Fund actuary, and assess their assumptions as reasonable. The values and entries from the actuarial report were correctly reflected in the Council’s financial statements.</p> <p>We have assessed the work of the Pension Fund Actuary, relying on the work of PWC and the EY Actuarial team which confirmed there were no findings in respect to the actuarial assumptions.</p> <p>We have confirmed the values and entries from the actuarial report have been correctly reflected in the Council’s financial statements.</p> <p>The results of the EY pensions specialist has confirmed the actuarial estimate to be accurate within a reasonable range.</p>

Financial Statement Audit – Vale of White Horse District Council (continued)

Other area of audit focus	Conclusion
<p><u>Accounting for Covid-19 Related Grants</u></p> <p>The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.</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"> ○ An agent, where it has determined that it is acting as an intermediary; or ○ Principal, where the Council has determined that it is acting on its own behalf. <p>We had no matters to report.</p>
<p><u>Accounting for Community Infrastructure Levy (CIL) Income</u></p> <p>We identified material errors in relation to CIL income in our 2019/20 audit. The errors were corrected by management, and we reported these as adjusted misstatements to the Joint Audit & Governance Committee in our 2019/20 audit results report in November 2021. Whilst management has corrected its accounting policy in relation to CIL income, due to the timing of when the error was identified, there remains a risk that the impact of the previous incorrect accounting policy is not quantified correctly and adjusted for in the 2020/21 financial statements.</p>	<p>We:</p> <ul style="list-style-type: none"> ▶ Tested CIL income using lowered testing thresholds and ensured income is appropriately supported by documentary evidence, ▶ Tested cut-off to ensure CIL income is being accounted for in the correct financial year, and in accordance with the accounting treatments specified in the CIPFA Code. <p>We had no matters to report.</p>

Financial Statement Audit – Vale of White Horse District Council (continued)

Audit differences

We reported corrected misstatements to the Joint Audit & Governance Committee of:

- ▶ £2.9m understatement assets for an unrecorded property (see page 12)
- ▶ £0.852m incorrect upward revaluation of long term leases (debtors)

Our work also identified a number of inconsistencies within the financial statements and errors in disclosure notes. This included errors in relation to brought forward balances, and errors made in subsequent versions of the accounts prior to the final version. Management’s controls processes in this area could be improved

There were no uncorrected differences.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.68m as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Joint Audit & Governance Committee that we would report to the Council all audit differences in excess of £84,000.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness

Section 4

Value for Money



Value for Money (VFM)

We identified a risk of significant weaknesses in the Council's VFM arrangements for 2020/21.

Our work to address this risk did not identify an actual weakness, and the Council had appropriate arrangements in place.

Scope and risks

We have complied with the NAO's 2020 Code of Audit Practice and the NAO's Auditor Guidance Note in respect of VFM.

We presented our initial VFM risk assessment to the 25 January 2022 Joint Audit & Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of the Council and committee reports, meetings with senior officers and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had identified a risks of significant weaknesses in the Council's VFM arrangements for 2020/21 in respect of the criteria Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver services

We had no matters to report by exception in the audit report.

Reporting

We completed our planned VFM arrangements work and did not identify any actual significant weaknesses in the Council's VFM arrangements.

In respect of the identified risk we concluded that the Council had made good progress in improving its reliance on reserves within it's medium term financial plan. We concluded appropriate arrangements were in place for Financial Sustainability

As a result, we had no matters to report by exception in our audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Council and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- 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.
- 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.

VFM Commentary

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

Financial sustainability

How the body ensures that it identifies all significant financial pressures that are relevant to its short term and medium-term plans and builds these into them

The Council has the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

As part of the budget setting process, each council agrees a five year Medium Term Financial Plan (MTFP). As part of constructing the budget, managers are asked to identify pressures not just for the following financial year, but across all five years of the MTFP. Senior managers horizon scan for future pressures and opportunities and budgetary provision is identified as considered appropriate by the head of finance in consultation with fellow senior managers.

How the body plans to bridge its funding gaps and identifies achievable savings

At present the future of local government funding remains uncertain. Both councils are projecting future funding gaps but in the MTFP those gaps are prudent estimates based on current assumptions. The real gaps may be larger or smaller than those estimated.

In addressing funding gaps the main options open to the councils are as follows:

1. Ensure budgets are as accurate as possible, eliminating over budgeting for expenditure and under budgeting for income, whilst maintaining an adequate contingency
2. Look to provide services more efficiently
3. Ensure existing income streams are maximised by ensuring all costs are recovered
4. Identify new income streams
5. Cut services

VFM Commentary

Financial sustainability (continued)

The 2022/23 budget setting process focussed particularly on the first of these options and this resulted in a significant improvement in the financial position of the councils. Activity is now turning to options 2, 3 and 4 through transformation activity, for which both councils have provided £750,000 to progress since 2020. Whilst the full scope of transformation activity is still being scoped out, initial projects include:

- Implementation of a new IT strategy
- Implementation of corporate landlord
- Customer services review
- Review of development management function

In terms of cuts to services, at the point at which these need to be considered they will be considered in the context of the councils' statutory obligations and corporate objectives as outlined in the corporate plans. In a scenario where cuts to services are contemplated then the corporate plans may need to be revisited. Programme delivery is coordinated via our policy and programmes team and monitored via a senior group of officers and members, as well as being reported via our budget monitoring.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

As identified above, and in the context of the need to estimate future government funding in the absence of certainty, the council is undertaking significant activity to improve its financial position so that it is able to fund both statutory requirements alongside corporate plan objectives. Funding for corporate plan priorities is dependent on the council's overarching position and, as noted above, the corporate plan, including associated delivery plans, may be subject to review depending on the financial position. They have engaged with CIPFA around support for this approach and also with wider local government partners.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Budget setting activity, from which the MTFP is produced, involves – and through the council's Strategic Management Team is signed of by - senior managers across the organisation and, through their involvement, takes into account of the corporate plan delivery plans (which are also influenced by the budgetary position) and other strategies as required, such as the capital strategy and the treasury management strategy in finance, and other plans in other teams. Cabinet also reflect and ensure that plans are aligned as part of considering the budget proposed to Council.

VFM Commentary

Financial sustainability (continued)

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

In terms of risks to core council funding, especially government funding, the councils work closely with CIPFA, the LGA and others on understanding and influencing the future of local government funding. In terms of changes to demand, these are identified and monitored through budget monitoring reports whilst performance is compared to other councils through benchmarking. The Council has regular monitoring of performance across all services in place, and this includes demand volumetrics.

Significant Risk:

Our planning procedures identified a risk at the Council in relation to the significant budget gap in the council's Medium Term Financial Plan and the continued drawdown of reserves. This risk fell into the criteria "Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services".

To address the risk we:

- Reviewed the updated Medium Term Financial Plan, approved as part of the 2022/23 budget process;
- Identified the key changes since the previous version;
- Analysed changes in planned drawdown of reserves.

We note a marked reduction in the use of reserves as compared to the previous MTFP, down from £19.5m to £8.2m, a reduction of over 50%.

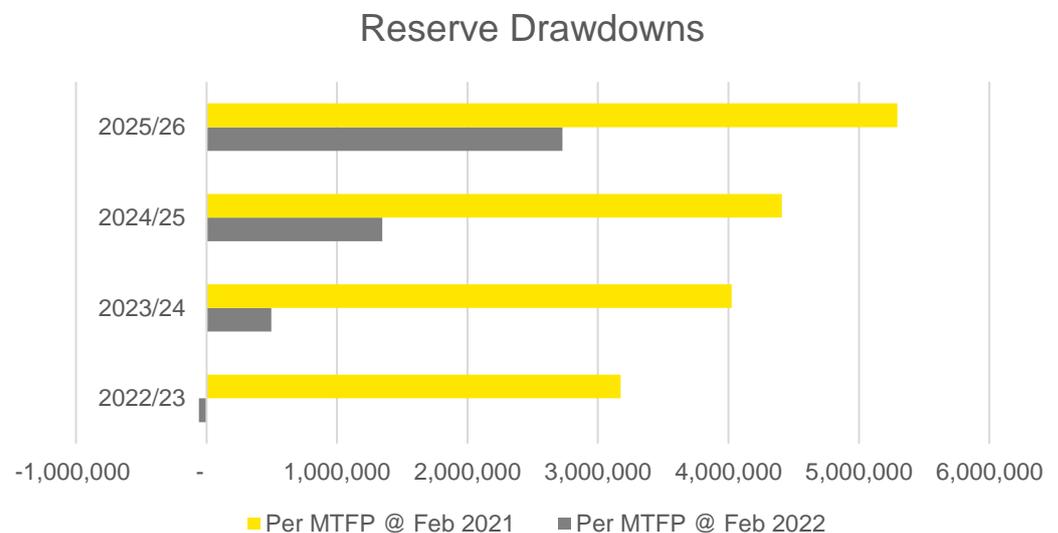
We have reviewed the MTFP to understand the improvement, with specific focus on the first year of the MTFP (i.e. 2022/23). We can see Base Budget Savings have increased from £0.7m to £1.9m, plus an additional £0.3m of savings per year from 2022/23. There is also a repeated gross improvement of £0.4m p.a. in treasury income contributing towards the improved MTFP position. Whilst other factors are moving each way, it is clear that material savings have been made to the budget.

We have reviewed the MTFP, and then considered the associated budget to which it relates as agreed in February 2022. The budget quotes our previous message to the Joint Audit & Governance Committee, and explains the process the Council have used to review the budget through the Base Budget Challenge. That challenge includes processes to remove ongoing surpluses, consolidate contingency into one, move towards ensuring costs are covered by discretionary fees and charges, and centralising and number of budgets such as legal, IT and property.

VFM Commentary

The budget paper then summarises the changes into additions (Appendix A.3) and reductions (Appendix A.4) from savings identified by management. To manage the risk, central contingency is increased. Transformation activity is still included, aiming to facilitate savings and efficient ways of working.

The resulting impacts on planned drawdowns from reserves are set out below, demonstrating that the reliance on reserves has significantly reduced.



We recognise that the latest VOWH MTFP (the 2022 MTFP) still shows a continued drawing down of reserves, however there has been marked improvement since the prior MTFP. This improvement has been underpinned by material savings which have been identified - providing assurance that officers and members have progressed the arrangements to ensure financial sustainability in the medium term. We note that the remaining significant drawdowns are in the final years of the plan, which is not uncommon as council's often have not identified the savings that may need to be made over that horizon.

Therefore, we were satisfied with the direction of travel and that the Council has appropriate arrangements in place to manage its medium term sustainability.

VFM Commentary

Governance

How the body monitors and assessed risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The overall responsibility for effective risk management in the council lies with the Chief Executive, supported by the Senior Management Team. The council uses a standard risk management methodology which encompasses the identification, analysis, prioritisation, management and monitoring of risks in a corporate risk register.

Councillors are made aware of how these risks are being managed through reports to the Joint Audit and Governance Committee. The council employs a risk and insurance officer to implement the risk management strategy.

A new risk management strategy and risk management policy and guidance was published in July 2020 and will be reviewed again in 2022 to incorporate references to corporate delivery framework and revised roles and responsibility updates.

The risk reporting framework in place is as follows:

- Monthly reporting from project groups, service areas, third party contractors and corporate risks to the Risk Forum.
- Quarterly reporting to the programmes and assurance team.
- Quarterly reporting as and when required to Cabinet, Strategic Management Team, and the Operational Management Group.
- Half yearly reporting to the Joint Audit and Governance Committee.

Internal Audit is the council's independent assurance function that provides an objective assessment on the effectiveness of the council's services. It assists the council by evaluating the adequacy of governance, risk management, internal controls and use of resources through its planned audit work and recommends improvements where necessary.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

VFM Commentary

Governance (continued)

How the body approaches and carries out its annual budget setting process

Cabinet and the Senior Management Team exercise collective responsibility for financial matters. All members of the Senior Management Team accept individual and collective responsibility for the use of resources and financial accountability. Senior Management Team supports Cabinet in the budget-setting process before Cabinet recommends the budget to full Council.

Full Council is responsible for setting the budget and the council tax. The budget setting includes the revenue budget for the forthcoming year, and the capital programme for the forthcoming five-year period. The Council also approves a medium term financial plan for the next five years and a capital strategy for the forthcoming ten-year period. This ensures better long-term financial planning.

The Section 151 Officer reports to Council on the robustness of the budget of the financial estimates and the adequacy of reserves.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We note that within the Constitution of the Council there are processes and procedures in place to ensure the body have effective processes and systems in place to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed, this is documented within Part 3 Financial Procedure Rules. In particular we note the below rules per the constitution (Part 3, sub-heading Budgetary Control):

76. *Heads of service are responsible for controlling and monitoring income and expenditure within the service areas and capital projects for which they are responsible.*
77. *The head of finance shall make available to each head of service periodic statements comparing actual and budgeted income for the service areas each head of service is responsible for.*
78. *Heads of service shall promptly notify the head of finance of any actual variance or forecast variance from an overall (“bottom-line”) budget for a cost centre or capital project for which they are responsible.*

VFM Commentary

Governance (continued)

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

79. *On a quarterly basis heads of service will report their projected estimate of outturn income and expenditure against their revenue and capital budgets for those service areas for which they are responsible. In addition heads of service will provide explanations for any projected variation to budget as requested by the head of finance.*
80. *Any variance, or forecast variance, from a revenue cost centre or capital project budget of more than £50,000 shall be reported in the budget monitoring report. Budget monitoring reports as at 30 September and 31 December will published in In Focus*

We note from our minute review that the above budgetary control rules are applied at both councils, and that Simon Hewings (s151) regularly reports to Cabinet on above matters.

The monitoring report includes the actual expenditure against the budget and monitors the expenditure. This furthermore includes financial and performance reporting with areas identified that needs corrective action based on the overspending incurred during the year and how the Council can implement corrective action/savings to reduce the overspending. We note that corrective action is taken where needed, as we saw with amendments and actions to support the councils through the C-19 pandemic.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

All Council decisions are made in accordance with the Council's Constitution including the Council's Financial Regulations.

The Constitution includes the roles and responsibilities of the Executive, Committees, Full Council and Chief Officers (e.g. monitoring officers, s151) and the rules under which they operate. In particular how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community.

VFM Commentary

Governance (continued)

Many of these processes are required by statute, while the Council has determined others locally. Please refer to part 3 of the Financial Regulations, which sets out the roles and responsibilities for each of the Council /Committees and executive staff (including s151 and monitoring officer).

The Council is the ultimate decision-making body from which all other elements in the structure derive their authority. Executive decisions are made by the Executive Body being the Leader and Cabinet, within the overall policy and budgetary framework approved by Full Council. Any decisions the Executive wishes to take outside of the framework must be referred to Full Council to decide. The Scrutiny committee monitor the work of the Executive Body.

There is an effective and appropriate organisational structure at the officer level.

Joint Audit and Governance Committee: The Joint Audit and Governance Committee receives reports from both external and internal audit, and the minutes of the Audit and Governance Committee demonstrate that effective action is taken where issues of non-compliance have been identified.

From our attendance of the committee we have observed that:

- They provide effective oversight of the entity's external financial reporting and internal control over financial reporting.
- There is an open line of communication with external and internal auditors and the nature and frequency of communication is appropriate given the size and complexity of the entity.
- They have sufficient knowledge, experience and time to perform their role effectively and have received training from monitoring officer, finance, IA and external audit regarding their roles and responsibilities
- They are appropriately independent of management given the size and complexity of the entity.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interest)

Gifts and Hospitality: The Council has an employee conduct policy and councillor code of conduct that contains a specific sections regarding gifts and hospitality. The policy is communicated to employees via the intranet to ensure appropriate standards are met. The policy sets out the standard practice that employees should not receive gifts or hospitality, and the requirements of employees to consider the impartiality of the council when deciding whether or not to accept. The policy also sets out the require for employees to declare gifts and hospitality to HR.

Internal audit regularly review the entries made and regularly reminds councillors and employees of the requirements under the policy.

VFM Commentary

Governance (continued)

Declarations / Conflicts of Interest: The Council's maintains a Register of interest for each Councillor on their website. These are available online,

We note as part of our minute review that there is a standing agenda item pertaining to any conflict of interest declarations that is needed to be made by the members or officers. Furthermore, the Officers and Members of the Council need to submit an annual declaration of interest and we note from our work on the financial statement that this is an annual process for both Councillors and Senior Officers to identify related party disclosures required as part of the annual accounts.

Regulatory Requirements: The monitoring officer is responsible for ensuring that the authority complies with all applicable laws and is involved in providing an opinion on all decisions that are made by the authority and its various committees as to whether there is an issue with non-compliance. This is specified within the constitution.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness

How financial and performance information has been used to assess performance and identify areas for improvement

And

How the body evaluates the services it provides to assess performance and identify areas for improvement

We have documented various considerations of how the Council evaluates the service and identify areas of improvement. These include the review of the Corporate Risk Register, Budget monitoring reports and External Inspections.

The Council has a Corporate Plan in place. The Corporate Plan has six themes which cover both service targets and financial targets. Each theme has performance measures and a Councillor and Officer lead who has responsibility for that measure. These measures are monitored regularly and reported upon quarterly to assess performance and identify areas for improvement. This performance report is submitted to Cabinet.

In addition, the Council has a regular budget monitoring process to identify areas of overspend and underspend, and to understand the reason for it.

VFM Commentary

Improving economy, efficiency and effectiveness (continued)

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Included within the Council's corporate plans are performance measure in relation to working with partners. These are monitored as part of the Corporate Plan performance monitoring.

The council works with partners to address local and wider issues. This is done through either formal partnerships or more informal liaison with other service providers. Examples of the formal partnerships include:

- Oxfordshire Growth Board
- Enterprise Zones
- Oxford-Cambridge Arc
- South and Vale Community Safety Partnership

South Oxfordshire and Vale of White Horse councils have a joint working arrangement and work in close partnership with one other and share a senior management team and share many key functions (e.g. payroll, finance). This is clear evidence of both council engaging with stakeholders and working in partnership with other local bodies.

5 Council's Partnership: The council has a contract for some of its corporate services with a contractor, through the Five Councils Partnership with Hart District Council, Havant Borough Council, Mendip District Council, and Vale of White Horse District Council. The council entered into an inter-authority agreement with the other partner councils to cover the procurement and the governance of the future partnership.

A joint client team and a joint committee oversee the delivery of the contract. The Five Councils Partnership Corporate Services Joint Committee undertakes a scrutiny role for this contract in line with the committee's description "**The Five Councils' Partnership Corporate Services Joint Committee shall carry out the strategic, financial and operational functions delegated to it by the Five Councils Partnership authorities**". This committee regularly monitors the performance of Capita..

VFM Commentary

Improving economy, efficiency and effectiveness (continued)**Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses with it is releasing the expected benefits**

With South Oxfordshire DC, the councils have in place a joint procurement policy approved by their Cabinets on 30 September 2021 and 01 October 2021, which includes a procurement action plan and an ethical procurement statements.

This sets out a clear definition of procurement at the entities, the Council's vision for procurement and clear policies for procurements, including policies to reduce risk, to counter fraud and to work within relevant legislation.

The constitution further requires Heads of Service only procure within the framework of the joint procurement policy and sets other obligation upon them to ensure procurements complies with legislation and that the council received best value for money.

The constitution (section Contracts procedure rules) also sets out rules for the Council in the procurement of contracts.

Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 is yet to be issued. We will liaise with the Authority to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues to date during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Control Themes and Observations

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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.

We considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
<p>Review and challenge of external valuation report</p>	<p>Management's valuers provided the figures for their valuation in time for completion of the financial statement, however the full report (which included key details including the valuers methodology) was not received by the council until requested during the external audit period.</p> <p>When the final report from the valuer was received, some figures contained within were different to the original figures provided.</p> <p>Since the accounts were prepared prior to the receipt of this report, it is our judgement that management did not sufficiently or adequately challenge the findings of their specialist. Had the full report been obtained and reviewed, this misstatement may have not occurred.</p>
<p>Debtor and Creditor listings</p>	<p>Sampling of debtor and creditor balances was impeded by the Council being unable to provide clean listings of the amounts on the balance sheet as at 31 March 2021. Listings often contained opening balances and movements during the year, not the final balances.</p> <p>The wider implication is that if listings cannot be provided for the audit process, there may be further weaknesses in the Council's ability to manage its creditors and debtors.</p>

Appendix A

Audit Fees

Audit Fees – Vale of White Horse District Council

Our final proposed fees for 2020/21 are set out in the table below:

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Scale Fee – Code work	36,289	36,289	36,289
Scale Fee Rebasing: Fee for further changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	30,268	30,268	
Scale Fee Variation – changes in Code and ISA requirements (see Note 2)	8,557	8,500 – 13,500	37,587
Scale Fee Variation – other specific issues (see Note 3)	6,704	n/a	
Total Audit Fees	81,818		73,876
Non-Audit Fees – HBAP (see Note 4)	TBC	10,500	9,905

Note 1 - We have previously discussed with the management and the Joint Audit and Governance Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2019/20 and 2020/21 the scale fee has been re-assessed to take these into account, using the same inputs. The fee impact rises by 25% in 2020/21, because PSAA fee variations rates have increased by 25%.

Note 2 - In 2020/21, we expect the new VFM arrangements and revised ISA 540 (estimates) to result in a scale fee variation. PSAA have published guidance on these matters and advise for minimum additional fees, for a district council, of £6,000 - £11,000 in respect of the new VFM arrangements, and a minimum of £2,500 in respect of the revised ISA 540. Our final fee submission is at the bottom end of the ranges.

Note 3 - other specific variations for 2020/21 include prior period adjustments, extended audit time for the identified control deficiencies and agreeing amendments to the accounts, VFM significant risk work, Covid-19 grants assessment, and work of internal experts (pension liability valuations).

All audit fees are subject to determination by PSAA.

Note 4 - The Housing Benefit non-audit work is still in progress. Final fees will be calculated including any additional testing required for any identified errors in the subsidy claim, consistent with the DWP HBAP instruction.

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