

Minutes



Listening Learning Leading



OF A MEETING OF THE

Joint Audit and Governance Committee

HELD ON MONDAY 5 JULY 2021 AT 6.30 PM

HELD AT 135 EASTERN AVENUE, MILTON PARK, OX14 4SB

Present in the meeting room:

Members:

South Oxfordshire District Councillors: Mocky Khan (Co-Chair – in the chair) and Jane Murphy.

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

Officers: Steve Culliford and Simon Hewings

Remote attendance:

Vale Councillor Amos Duveen (committee member)

Officers: Yvonne Cutler-Greaves, Michael Flowers, Richard Green, Allison Holliday, Paul Howden, Jeremy Lloyd, Richard Spraggett, and Sally Truman.

External auditors: Tom Archer and Kevin Suter (EY)

South Councillor Leigh Rawlins, present as a guest

Vale Councillors Andrew Crawford and Debby Hallett, present as guests

64 Apologies for absence

South Oxfordshire Councillors Peter Dragonetti and George Levy tendered apologies.

As only one South Oxfordshire councillor was present, the meeting was inquorate. Two committee members (or their substitutes) from each council were required to make a quorum. The Chair announced that an informal meeting could proceed but that no formal decisions could be made. Councillors agreed to proceed on with an informal meeting, until such time as a quorum could be achieved.

65 Minutes

Due to a lack of quorum, the item was deferred to the next meeting of the Joint Audit and Governance Committee.

66 Declarations of interest

None.

67 Urgent business and chair's announcements

The Chair informed the committee that the democratic services officer for the Joint Audit and Governance Committee would be changed, with Steve Culliford being replaced by Michael Flowers as the assigned officer. The committee expressed appreciation for the support Steve Culliford had provided over the years.

The Chair also explained to the committee that the order of business would be changed due to a lack of quorum. The committee would meet informally and consider non-decision items until the appropriate membership was in attendance to achieve a quorum, at which point the meeting could then revert to a formal meeting of the committee to consider the original order of business.

68 Public participation

None.

69 Corporate risk review

Councillor Jane Murphy entered the room during this item, which meant the meeting was now quorate and could proceed as a formal committee meeting and make decisions.

The Cabinet member for corporate services and transformation introduced the report. It was explained that this was the standard six-month report which the committee was asked to note. The key points raised were thirty-seven corporate risks for South Oxfordshire and thirty-eight for the Vale being identified. Both authorities had a reduction of nine risks for each. The top risk remained a cyber security breach, and three new risks had arisen relating to the failure to procedure new insurance, the need to streamline revenue streams, and the government actions surrounding the Oxford to Cambridge Arc. It was however noted that the Arc was beyond the district councils' control. Three risks in South Oxfordshire and two in the Vale increased the net risk score and these included issues such as third-party business plans not being supported and a lack of informed decision making for planning. An additional point was made surrounding Covid-19 with the main risk centring on staff wellbeing and remote working. New risks mentioned related to the failure to realise revenue streams, failure to prevent fraud from Covid-19 test and trace and business support funding, and a lack of preparation to help support vulnerable individuals in the future.

A question was raised relating to the technology risk on the third-party business continuity plan and why a 'Yes/No' tolerable answer was not included in the table. The officer explained that a continuity plan was still being worked on with Capita and therefore had been deliberately left blank until the plan had been completed further. A follow up question was asked relating to the risk appetite and why the councils had an amber risk assurance level despite some not having a way forward. The officer clarified that the average values are used to calculate the risk and that the overall risk appetite led to an assigned risk level of amber.

A request was made by the committee to take on the speed of changes relating to Covid-19 as opposed to the rest of the risk register. The query was responded to with an explanation that the Covid-19 risks had been transferred to the triage risk register.

RESOLVED: to note the half yearly progress review of the corporate risk registers as outlined in the risk management strategy.

70 Health and safety progress review

The Cabinet member for corporate services and transformation introduced the report. The committee was informed that this was a half yearly progress review of the health and safety actions. The key headlines included the introduction of monthly key performance indicators, which would be reported to the senior management team. Additions would also include improved incident reporting and support for staff, including Covid-19 assistance.

RESOLVED: to note the half yearly progress review of health and safety actions, as outlined in the health and safety strategic review, and note the progress made against the corporate health and safety action plan.

71 External auditor's audit results report 2019/20

The external auditor, EY, introduced the results for the 2019/20 accounts. The auditor Kevin Suter also introduced Tom Archer, the new EY audit manager for South and Vale. The committee were informed that substantial progress had been made on the audit of the 2019/20 statement of accounts, although this work was not fully completed. The key item to be resolved related to the collection funds and obtaining sufficient information to support items within income expenditure and grant income. The income relating to the Community Infrastructure Levy was the most significant, due to accounting being done on a cash basis and so a total account might not have been accurate with a possible adjustment needing to be made.

The auditor explained that when EY's audit plan had been presented in September 2020, there was an outstanding question on the evidence to support revenue expenditure that had been capitalised. For one item there was a lack of evidence to support transactions analysed which required further evidence to be obtained. An additional comment was made on the pension liability with recommended adjustments being made to the disclosure notes. With regards to the value for money audit, the committee was informed a risk had been identified around the services that had exited the Five Council Partnership contract. While it was conducted appropriately, it was noted that the Finance department was overstretched, but that the timing of the Covid-19 pandemic had been a significant part of this issue.

A second aspect raised was the financial resilience of the councils. It was noted that work in previous years concerned the financial resilience of South Oxfordshire District Council, due to the projected use of revenue reserves to balance the budget. It was noted that now both councils were budgeting to increasingly use revenue reserves to balance the budgets. This has been made worse by the pandemic. It was also noted that there had been no significant action to close annual funding gaps at either council, and the external auditors advised that, in their review of the 2020/21 financial statements, they would need to be assured that appropriate action was being taken to reduce the budget gap at both councils.

The committee asked why the Community Infrastructure Levy recording issue had been identified this year and not previously. The response was that the issue was an understatement of income. It had arisen now as a CIL transaction had been picked for

review as part of random sampling and analysis of the item had identified the issue around income recognition. No similar item had been picked for review in previous years.

An additional question was raised by the committee on the summary of adjusted differences with items around revaluation, leases, and properties. The auditor responded that there were no underlying concerns, but the matter would be kept under review.

RESOLVED: to note the report of the external auditor.

72 Statement of accounts 2019/20

The Head of Finance introduced the statement of accounts 2019/20. The committee was informed that the external audit was incomplete, which could have an impact on the final figures presented. The committee was asked to agree to the accounts, subject to the final versions being agreed by the auditor and confirmation and that the final versions were not materially different. It was noted that if the figures were materially different, they would be brought back to the committee for reconsideration.

A question was raised on what the material difference would be classed as. The officer explained the Community Infrastructure Levy example, which could have a £700,000 difference, would be an example of where the accounts might need to be referred back to the committee. However, the material difference would vary dependent on the total figure and would be a matter discussed by the officers, auditors, and the committee's co-chairs.

RESOLVED: to

- (a) approve the statement of accounts 2019/20 for South Oxfordshire District Council and to authorise the co-chair to sign the document if no material differences are raised; and
- (b) approve the statement of accounts 2019/20 for the Vale of White Horse District Council and to authorise the co-chair to sign the document if no material differences are raised.

73 Annual governance statements 2019/20

The Democratic Services Team Leader introduced the item. The officer explained that there were two statements, one for each authority, and these formed part of the statement of accounts and explained how the councils complied with their codes of governance. The statements covered 2019/20 and ended on the 31st March 2020. The statements were written a year ago and had been approved by internal audit and the senior management team. After the committee approved the statements, the leaders of each council and the chief executive would be asked to sign them off.

RESOLVED: to

- (a) approve the Annual Governance Statement of 2019/20 for South Oxfordshire District Council; and

- (b) approve the Annual Governance Statement of 2019/20 for the Vale of White Horse District Council.

74 Letters of representation to the external auditor

The Head of Finance introduced this item. He explained that these letters of representation were the draft letters for signing off the statement of accounts that were required to be sent to the external auditor. It was added that as EY was not in a position to finalise the accounts, the committee could agree that they were content with the letter and for minor changes to be made by the co-chairs, although substantial changes would mean the item would return to the committee for consideration.

RESOLVED: to agree that the committee's co-chairs from South Oxfordshire and Vale of White Horse may sign their respective letters of representation to the external auditor.

75 Internal Audit annual report 2020/21

The Interim Internal Audit Manager introduced the report. He explained that the report was a summary of the internal audit work for the year ending in the 31 March 2021 and advised on the overall adequacy and internal control environment that had been looked at. It was noted that the overall view was that satisfactory assurance could be achieved from the controls and general risk and control processes analysed. Of the eight financial audits looked at, five had limited assurance, and three were satisfactory. All financial audits that were planned had been completed, although the plan had been revised due to Covid-19, with three audits deferred.

The committee asked a question on the impact remote working had and whether performance had improved over time since the changes had occurred. The officer explained that performance had been impacted at the beginning of the pandemic with remote working, however the officer explained that this was easing off and that they would be able to work better once hybrid working was in place.

RESOLVED: to note the interim internal audit manager's report.

76 Internal audit activity report - First quarter 2021/22

The Interim Internal Audit Manager explained that the quarterly report picked up on the remaining work from 2021. Six reports were finalised with three at draft stage and they were the outstanding reports from the previous year. Three follow up reports were completed with some still required to be completed. It was added that three reports relating to proactive anti-fraud, council tax, and capital management, were given limited assurance.

The Revenues and Benefits Client Manager explained that £80 million had been paid out for grants and test and trace payments, which had been a significantly heavy workload. The officer also explained that they had always previously reviewed exemptions discounts on an annual basis.

RESOLVED: to note the interim internal audit manager's report.

77 Internal audit management report - First quarter 2021/22

The Interim Internal Audit Manager's report explained that the majority of the work in the first quarter 2021/2022 had been spent in agreeing the terms of reference and scopes for the planned audits. The team had also been involved in revising the working papers and work on reviewing and revising the recommendation database, which would be reported at the next meeting.

RESOLVED: to note the interim internal audit manager's report.

78 Work programme

The Democratic Services Team Leader introduced the work programme. The next meeting was on the 28th September with an additional report for the audit plan and possibly the treasury management monitoring report for 2020/21. It was added that in January 2022, the committee would receive the statement of accounts which were due for the 2020/21 year, along with a six-monthly risk report and health and safety review.

A question was raised on having a review of business grants paid, particularly during the Covid-19 pandemic, which had been requested by a number of councillors. It was agreed that Internal Audit would take this on, and it had been agreed to be brought as an audit review at a later meeting.

RESOLVED: to note the committee's work programme.

The meeting closed at 7.50 pm

Chairman

Date

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