

# Agenda



Listening Learning Leading



**Vale  
of White Horse**  
District Council

Contact Officer: Steve Culliford, Democratic Services  
Tel: 07895 213735  
E-mail: [steve.culliford@southandvale.gov.uk](mailto:steve.culliford@southandvale.gov.uk)  
Date: 16 September 2022  
Website: [www.southoxon.gov.uk](http://www.southoxon.gov.uk) [www.whitehorsedc.gov.uk](http://www.whitehorsedc.gov.uk)

## A MEETING OF THE

# Joint Audit and Governance Committee

**WILL BE HELD ON TUESDAY 27 SEPTEMBER 2022 AT 6.30 PM**

**135 EASTERN AVENUE, MILTON PARK, OX14 4SB**

To watch this virtual meeting, follow this link to the council's [YouTube channel](#).

### Members of the Committee:

South Oxfordshire District Council  
Mocky Khan (Co-Chair)  
Peter Dragonetti  
George Levy  
Jane Murphy

Vale of White Horse District Council  
Andy Foulsham (Co-Chair)  
Amos Duveen  
Simon Howell  
Mike Pighills

### Preferred Substitutes:

South Oxfordshire District Council  
David Bartholomew  
Sam Casey-Rerhaye  
Victoria Haval  
Alexandrine Kantor  
Axel Macdonald  
Jo Robb  
Alan Thompson  
David Turner  
Ian White  
Celia Wilson

Vale of White Horse District Council  
Nathan Boyd  
Andy Cooke  
Eric de la Harpe  
Alison Jenner  
Ben Mabbett  
Elaine Ware

**Alternative formats of this publication are available on request. These include large print, Braille, audio, email and easy read. For this or any other special requirements (such as access facilities) please contact the officer named on this agenda. Please give as much notice as possible before the meeting.**

## **1 Apologies for absence**

To record apologies for absence and the attendance of substitute members.

## **2 Minutes (Pages 4 - 7)**

To adopt and sign as a correct record the Joint Audit and Governance Committee minutes of the meeting held on 5 July 2022.

## **3 Declarations of interest**

To receive any declarations of disclosable pecuniary interests and any conflicts of interest in respect of items on the agenda for this meeting.

## **4 Urgent business and chair's announcements**

To receive notification of any matters which the chair determines should be considered as urgent business and the special circumstances which have made the matters urgent, and to receive any announcements from the chair.

## **5 Public participation**

To receive any questions or statements from members of the public that have registered to speak.

### **ITEMS FOR FORMAL DECISION**

## **6 External auditor's annual audit letter 2020/21**

To receive the annual audit letter from the council's external auditor, EY – to follow.

## **7 Treasury management outturn report - 2021/22 (Pages 8 - 28)**

To consider the report of the Head of Finance.

### **MONITORING REPORTS**

## **8 Internal audit activity report quarter two 2022/23 (Pages 29 - 32)**

To consider the report of the Internal Audit Manager.

## **9 Internal audit management report quarter two 2022/23 (Pages 33 - 36)**

To consider the report of the Internal Audit Manager.

**10 Internal Audit - Progress Update**

To receive a verbal progress update on internal audit.

**11 Statement of accounts 2021/22 - verbal update**

To receive a verbal update on the statement of accounts 2021/22 for South Oxfordshire and Vale of White Horse District Councils.

Patrick Arran  
Head of Legal and Democratic



# Minutes



OF A MEETING OF THE

## Joint Audit and Governance Committee

HELD ON TUESDAY 5 JULY 2022 AT 6.30 PM

FIRST FLOOR MEETING SPACE, 135 EASTERN AVENUE, MILTON PARK,  
OX14 4SB

### Present in the meeting room

Committee Members:

South Oxfordshire District Councillors: Mocky Khan (Co-Chair in the Chair), Peter Dragonetti, and George Levy

Vale of White Horse District Councillors: Andy Foulsham (Co-Chair), Amos Duveen, and Mike Pighills

Other Vale of White Horse Members: Andrew Crawford

Officers: Michael Flowers and Simon Hewings

### Remote attendance:

South Oxfordshire District Councillors: Leigh Rawlins

Vale of White Horse District Councillors: Debby Hallett and Simon Howell

Officers: Patrick Arran (Head of Legal and Democratic), Harry Barrington-Mountford (Head of Policy and Programmes), Yvonne Cutler-Greaves (Assurance Team Leader), Victoria Dorman-Smith (Internal Audit Manager), David Fairall (People and Culture Manager), Susie Royce (Broadcasting Officer)

### 11 Apologies for absence

Apologies for absence were received from Councillor Jane Murphy.

### 12 Minutes

**RESOLVED:** to approve the minutes of the previous meeting held on 24 May 2022 as a correct record and agree that the chair signs them as such.

### 13 Declarations of interest

There were no declarations of interest.

## 14 Urgent business and chair's announcements

There was no urgent business.

## 15 Public participation

None.

## 16 Amended Pension Policy and Policy Statements

The people and culture manager introduced the item and explained that this policy was required to go through the committee for sign-off and approval under the constitution.

The committee asked for a correction of a typographical error on section 2.6 of the report. The committee then noted that the pension was generous, and added that a 3 per cent inflator would require the responsible authority to have enough assets to pay for the councils' pension liabilities, and asked whether this would put any increased risk or pressure on the councils. The head of finance clarified that the vast majority of the document was a required scheme, and for the pension scheme, it was subject to an evaluation, and this would determine the pension liability on the councils.

South Oxfordshire District Council **RESOLVED:** to adopt the amended pension policy and respective policy statements.

Vale of White Horse District Council **RESOLVED:** to adopt the amended pension policy and respective policy statements.

## 17 Internal audit activity report - first quarter 2022/23

The internal audit manager introduced the item and confirmed that they would present the activity and management report as one item, with the committee being asked to take two separate votes, one for each item, to note the reports.

The committee were given an update on the progress of audits, and were informed that five planned audits and one follow up audit had been completed, and that there were no limited assurance audits.

**RESOLVED:** to note the internal audit activity report – first quarter 2022/23.

## 18 Internal audit management report - first quarter 2022/23

The internal audit manager confirmed that six planned audits from the current year internal audit plan were in progress and there were no specific concerns to raise to the committee's attention.

**RESOLVED:** to note the internal audit management report – first quarter 2022/23.

## 19 Internal audit annual report 2021/22

The internal audit manager introduced the report, and explained that this annual report summarised the work carried out during the 2021/22 financial year. The committee was advised that twenty-one audits had been completed, with six in draft report stage awaiting management responses. Of the twenty-one audits, eight related to key financial audits. During the year, a total of thirteen audits were either deferred or not performed with the reasons being outlined in the report. The internal audit manager concluded by confirming that two key performance targets were achieved for operational and financial audits.

The committee asked a question seeking clarification on the time spent on audits. The internal audit manager confirmed that this is due to several factors including, delays in receiving audit information, additional audit testing, and the fact that budgeted hours are a best estimate of audit time needed. Hours spent on individual audits are regularly reviewed by the internal audit manager and auditors to understand reasons for overruns and to ensure budgeted hours are adjusted for future audits as needed. Additionally, the committee asked the manager on the status of current staffing in the internal audit team. The internal audit manager responded that the team was at a full complement with three auditors and an internal audit manager.

The committee sought clarification on the variance in lost days. The internal audit manager confirmed that lost days related to sickness, and other unplanned leave. A second question from the committee followed seeking information on the variance of 579 planned audit allocation days to 436 days carried out. The internal audit manager responded by explaining that chargeable day decreases had occurred due to unplanned lost days, and a slight increase in administration time.

**RESOLVED:** to note the internal audit annual report – 2021/22.

## 20 Health and safety

The people and culture manager introduced the report and explained that this report had followed the recent report presented at the last committee meeting due to a change in staffing structure which had impacted the traditional report dates. The people and culture manager confirmed that they were currently undertaking work on the health safety policy, and champions. Additional work was taking place regarding training that related to staff workplace roles. The committee were told that other work was in progress towards having a baseline of compliance training, but that this was on track and that officers were happy with the progress.

The committee asked if there had been any learnings from the spike relating to incidents reported during 2021. The manager responded that there had been a major learning on the personal risk element. The near misses also related to a national trend which was noticed through interactions with the public. The committee were subsequently informed that the councils' health and safety advisor was involved in the training of staff to help put the appropriate measures in place.

The committee asked a supplementary question asking if the increase in incidents a result of an increase of abuse were to staff and visitors. The response from the officers were that

cases remained very low; however, they were seeing more incidents reported, which was positive as it helped identify when these situations were occurring.

The committee raised the suggestion that information relating to abuse directed towards councillors would be beneficial due to the public role the elected officials hold, and the subsequent abuse they receive would be beneficial for tracking and monitoring.

**RESOLVED:** to

- a. Continue undertaking a half-yearly progress review of health and safety as outlined in the health and safety strategic review.
- b. Note the report.

## **21 Corporate risk review**

The assurance team leader introduced the item. The committee was informed that two new risks had been added to the register, one being the failure to consider the economic impact of the Russo-Ukrainian War, and the second risk related to the failure to support and equip staff for hybrid working. The assurance team leader confirmed that the risk for third party contractors' business continuity plans, and file back-ups not being fit for purpose had an increase in net score, and that work was currently underway to resolve the risk.

**RESOLVED:** to

- a. Continue undertaking a half yearly progress review of the corporate risk registers as outlined in the risk management strategy.
- b. Note the report.

## **22 Work programme**

**RESOLVED:** to note the committee work programme.

The meeting closed at 7.11 pm

Chair

Date

--	--

# Joint Audit and Governance Committee



Listening Learning Leading



Report of Head of Finance

Author: Donna Ross

Telephone: 07917 088335

Textphone: 18001 07917 088335

E-mail: [donna.ross@southandvale.gov.uk](mailto:donna.ross@southandvale.gov.uk)

SODC cabinet member responsible for Finance: Councillor Leigh Rawlins

Telephone: 01189 722565

Email: [leigh.rawlins@southoxon.gov.uk](mailto:leigh.rawlins@southoxon.gov.uk)

VWHDC cabinet member responsible for Finance: Councillor Andrew Crawford

Telephone: 01235 772134

Email: [andy.crawford@whitehorsedc.gov.uk](mailto:andy.crawford@whitehorsedc.gov.uk)

To: Joint Audit and Governance Committee, Cabinet and Council

DATE: 27 September 2022 by Joint Audit and Governance Committee

29 September 2022 (S) / 30 September 2022 (V) by Cabinet

13 October 2022 (S) / 12 October 2022 (V) by Council

## Treasury Outturn 2021/22

### Recommendations

That Joint Audit and Governance Committee:

1. notes the treasury management outturn report 2021/22,
2. is satisfied that the treasury activities are carried out in accordance with the treasury management strategy and policy, and
3. make any comments and recommendations to Cabinets as necessary.

That Cabinet:

Considers any comments from Joint Audit and Governance Committee and recommends Council to:

1. approve the treasury management outturn report for 2021/22;
2. approve the actual 2021/22 prudential indicators within the report.

## **Purpose of report**

1. This report fulfils the legislative requirements to ensure the adequate monitoring and reporting of the treasury management activities and that the councils' prudential indicators are reported to the councils at the end of the year. The report provides details of the treasury activities for the financial year 2021/22.
2. This complies with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Practice on Treasury Management.

## **Strategic objectives**

3. Effective treasury management is required to help the councils meet their strategic objectives.

## **Background**

4. The councils' treasury activities are strictly regulated by legislation. The CIPFA Prudential Code and CIPFA Treasury Management Code of Practice require a report to be provided to the councils at the end of the financial year.
5. This report provides details on the treasury activity and performance for 2021/22 against prudential indicators and benchmarks set for the year in the 2021/22 Treasury Management Strategy (TMS), approved by each council in February 2021. Each council is required to approve this report.
6. Link Asset Services are the councils' retained treasury advisors.
7. There are three types of investment, the performance of which is covered in this report
  - a. True treasury investments – these are investments for the management of temporary cashflow balances. These include loans to other local authorities, or approved financial institutions. It also includes longer-term investments in externally managed pooled funds such as CCLA Property Fund.
  - b. Non-treasury loans – these are loans to third parties, which earn a return, but they do not fall under the strict definition of a treasury investment.
  - c. Direct property investments - both councils have investment properties let on commercial basis. The primary purpose of holding these assets is for investment purposes and they are not part of regeneration schemes.
8. The councils continue to invest with regard for security, liquidity and yield, in that order.

## **Economic conditions and factors effecting investment returns during 2021/22**

9. At the start of the financial year UK Bank Base Rate was held at 0.10 per cent and remained unchanged until December 2021 when The Bank of England raised the

rate to 0.25 per cent. There were further increases of 0.25 percent in February and March 2022 with Base Rate reaching 0.75 per cent by year-end. [At the time of writing (August 2022) rates have increased further to 1.75 per cent.]

10. Link Asset Services provide a regular forecast of interest rates, the latest forecast is reproduced in **appendix A**. This forecast shows that Base Rate is expected to peak at 2.9 per cent in June 2023 before falling back to 2.25 per cent around March 2024 and remain at that level for the next 12 months. Labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation remaining at elevated levels well into 2023.
11. The Treasury Management Strategy makes clear that investment priority is given to the security of principal in the first instance. As a result, investments have only been made with counterparties of high credit quality and relatively low risk.
12. In line with the budget forecast, short-term investment returns remained close to zero for the first half of the financial year. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1 per cent until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessary.
13. The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the growing levels of inflation.
14. The rises in Base Rate from December 2021 allowed both councils to place deposits at above budgeted interest rates during the last quarter of the financial year and generate investment returns above the budget forecasts.

## **Summary of investment activities during 2021/22**

15. Prudential limits (security). Both councils are required by the Prudential Code to report on the limits set each year in the TMS. The purpose of these limits is to ensure that the activity of the treasury function remains within certain parameters, thereby mitigating risk and reducing the impact of an adverse movement in interest rates. However, if these limits are set to be too restrictive, they may impair the opportunities to reduce costs/improve performance. These limits are shown in **appendix B**.
16. Yield - the performance of the two councils is summarised in the tables below.

South		Treasury investments £000	Non treasury loan £000	Sub Total £000	Property investment £000	Overall total £000
1	Average investment balance	174,907	15,000	189,907	8,012	197,918
2	Budgeted investment income	1,224	623	1,847		
3	Actual investment income	1,375	623	1,998	490	2,488
4	surplus/(deficit) (3) - (2)	151	0	151		
5	Rate of return (3) ÷ (1)	0.79%	4.15%	1.05%	6.11%	1.26%

Vale		Treasury investments £000	Property investment £000	Overall total £000
1	Average investment balance	145,589	5,091	150,680
2	Budgeted investment income	558		
3	Actual investment income	744	286	1,030
4	surplus/(deficit) (3) - (2)	187		
5	Rate of return (3) ÷ (1)	0.51%	5.62%	0.68%

17. Both South and Vale exceeded treasury budgeted investment income this year in terms of actual income against budget and rates of return against benchmark on their in-house managed portfolios. This was predominantly a result of deposits that matured in the last quarter of the financial year being reinvested at slightly higher rates than predicted. More detail on benchmarks is included in the appendices that follow this report.

18. Detailed reports on the treasury activities for each council and performance for 2021/22 against prudential indicators and benchmarks set for the year are contained in **appendix C** – South Oxfordshire DC and **appendix D** – Vale of White Horse DC.

19. A detailed list of both councils' treasury investments as at 31 March 2022 is shown in **appendix E**.

## Debt activity during 2021/22

20. During 2021/22, there has not been a need for either council to borrow and both councils continue to take a prudent approach to their debt strategy. The prudential indicators and limits set out in **appendix B** provide the scope and flexibility for the council to borrow in the short-term, if such a need arose, for cash flow purposes to support the council(s) in the achievement of their service objectives.

## Climate and ecological impact implications

21. There are no climate or ecological implications arising from this report, however the Council can make significant impact via future investment opportunities and operational changes. Numerous changes have already been made to ensure that climate is a key consideration in key documents and processes (such as the procurement strategy), and this will become more evident in future decision making. As opportunities to support the climate ambitions of the Councils arise, they will be considered and appropriately weighted to include any climate or ecological impacts.

## Financial implications

22. The treasury investments arranged in 2021/22 generated just under £2 million of investment income for South during the year and over £700,000 for Vale. Income earned from investments supports the councils' medium term financial plans and contributes to the councils' balances or supports the in-year expenditure programmes.

### **Legal implications**

23. There are no significant legal implications. Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services and the MHCLG Local Government Investment Guidance provides assurance that the councils' investments are, and will continue to be, within their legal powers.

### **Conclusion**

24. Despite a difficult operating environment, both councils continued to make investments during 2021/22 that maintained security and liquidity whilst providing a return that mostly exceeded market benchmarks.

### **Background papers**

- Chartered Institute of Public Finance and Accounting (CIPFA) code of practice for treasury management in the public sector.
- DCLG Local Government Investment Guidance
- CIPFA treasury management in the public services code of practice and cross sectoral guidance notes
- Treasury Management Strategy 2021/22 – Councils in February 2021.

### **Appendices**

- A. Interest rate forecasts
- B. Prudential limits
- C. SODC – Treasury activities 2021/22
- D. VWHDC – Treasury activities 2021/22
- E. Treasury investments as at 31 March 2022
- F. Glossary of terms

Appendix A

Link Group Interest Rate Forecasts

	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	2.25	2.50	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25
3 month ave earnings	2.50	2.80	3.00	3.00	2.80	2.50	2.40	2.30	2.30	2.30	2.20
6 month ave earnings	2.90	3.10	3.10	3.10	2.90	2.80	2.70	2.60	2.50	2.50	2.40
12 month ave earnings	3.20	3.30	3.20	3.10	3.00	2.90	2.80	2.70	2.40	2.40	2.40
5 yr PWLB	2.80	3.00	3.10	3.10	3.00	3.00	2.90	2.90	2.80	2.80	2.80
10 yr PWLB	3.00	3.20	3.30	3.30	3.20	3.10	3.10	3.00	3.00	3.00	2.90
25 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.40	3.30	3.30	3.20	3.20
50 yr PWLB	3.10	3.20	3.20	3.20	3.20	3.10	3.10	3.00	3.00	2.90	2.90

Forecasts as at 09/08/2022

**Prudential limits (indicators) as at March 2022**

Prudential indicators as at 31 March 2022				
	Vale		South	
	Original estimate £m	Actual position £m	Original estimate £m	Actual position £m
<b>Authorised limit for external debt</b>				
Borrowing	30	0	30	0
Other long-term liabilities	0	0	0	0
	<b>30</b>	<b>0</b>	<b>30</b>	<b>0</b>
<b>Operational boundary for external debt</b>				
Borrowing	25	0	25	0
Other long-term liabilities	0	0	0	0
	<b>25</b>	<b>0</b>	<b>25</b>	<b>0</b>
<b>Investments</b>				
<b>Interest rate exposures</b>				
Limits on fixed interest rates %	100%	82%	100%	77%
Limits on variable interest rates £k	50	27	50	46
<b>Maximum principal sums invested &gt; 364 days</b>				
Upper limit for principal sums invested > 364 days £k	40	26	70	36
<b>Limit to be placed on investments to maturity</b>				
1 - 2 years	NA	NA	NA	NA
2 - 5 years	NA	NA	NA	NA
5 years +	NA	NA	NA	NA

**Prudential indicators – explanatory note**

**Debt**

There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case, scenario.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, “invest to save” projects, occasional short-term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows.

The Operational Boundary is a more realistic indicator of the likely position.

**Interest rate exposures**

The maximum proportion of interest on borrowing which is subject to fixed/variable rate of interest.

## **Investments**

### **Interest rate exposure**

The purpose of these indicators is to set ranges that will limit exposure to interest rate movement. The indicator required by the Treasury Management Code considers the net position of borrowing and investment and is based on principal sums outstanding.

### **Principal sums invested**

This indicator sets a limit on the level of investments that can be made for more than 364 days.

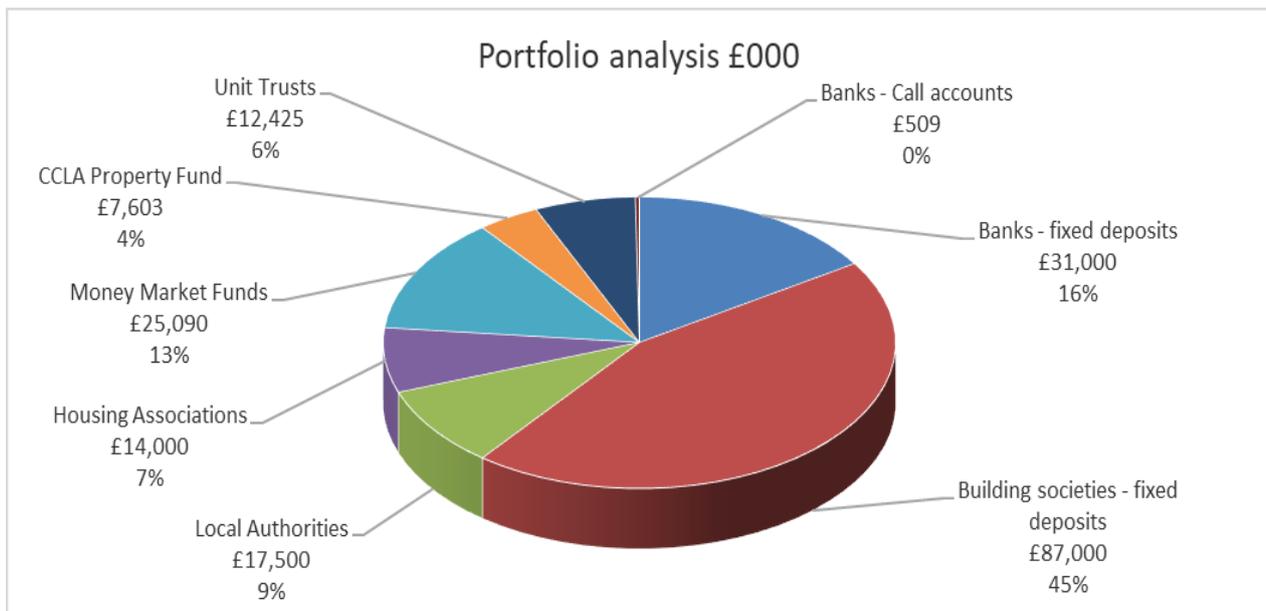
## SODC treasury activities in 2021/22

### Council treasury investments as at 31 March 2022

- The council's treasury investments, analysed by maturity as at 31 March 2022 were as follows:

Table 1: Maturity structure of investments at 31 March 2022		
	£000	% holding
Call	509	0%
Money market fund	25,090	13%
<b>Cash available within 1 week</b>	<b>25,599</b>	<b>13%</b>
Up to 3 months	18,500	9%
4-6 months	45,500	23%
6 months to 1 year	69,500	36%
Over 1 year	16,000	8%
<b>Total cash deposits</b>	<b>175,099</b>	<b>89%</b>
CCLA Property Fund	7,603	4%
Unit Trust	12,425	6%
<b>Total investments</b>	<b>195,126</b>	<b>100%</b>

- The majority of the funds invested were held in the form of fixed interest rate and term cash deposits. These provide some certainty over the investment return.
- The investment profile is organised to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.
- The chart below shows in percentage terms the portfolio above analysed by counterparty type:



### Treasury investment income

5. The total income earned on investments during 2021/22 was £1.99 million, compared to the original budget of £1.85 million, as shown in table 2 below:

Table 2: Investment interest earned by investment type			
	Annual Budget	Actual Interest	Variation
Investment type	£000	£000	£000
Fixed deposits and Short-term liquidity accounts	1,171	1,266	95
Unit Trust	388	471	83
CCLA property fund	288	262	(26)
	1,847	1,999	152

6. The actual return achieved was £152,000 more than the original budget. This was principally due to:

- Interest earned on cash deposits being £95,000 higher than forecast in the 2021/22 budget due to higher than forecast cash balances and an increase in UK interest rates.
- Dividends accumulated by the Unit Trust were £83,000 above budget due to an improvement in the FTSE All-Share Index during 2021/22. The Unit Trust objective is to provide growth by investing in shares that closely track the performance of the Index.
- Dividends received on the CCLA Property Fund were £26,000 less than forecast. However, the reduction in dividends was more than matched by capital growth with the Fund's unit price increasing by 17.6 per cent.

7. The actual average rate of return on internally managed treasury deposits for the year was 1.14 per cent (0.83 per cent in 2021/22).

**Performance measurement**

8. A list of treasury investments as at 31 March 2022 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £175 million. Table 3 below shows in summary the performance of the council’s treasury investments against the benchmarks set out in the Treasury Management Strategy. These benchmarks are used to assess and monitor the council’s treasury investment performance for each type of investment.

9. The £175 million does not represent the council’s usable, cash backed reserves, which at 31 March 2022 totalled £144 million including capital grants received in advance of spend. The difference represents the council’s working capital balance and timings of cashflows.

Table 3: Treasury investment returns achieved against benchmark				
	Benchmark Return	Actual Return	Growth (Below)/ above Benchmark	Benchmarks
Deposits & Short-term liquidity funds – internally managed	0.24%	0.81%	0.57%	3mth SONIA
Unit Trust *	13.07%	12.88%	(0.19%)	FTSE All Shares Index
Property Fund *	22.52%	21.78%	(0.74%)	IPD balanced property unit trust index
* Returns include income and capital growth				

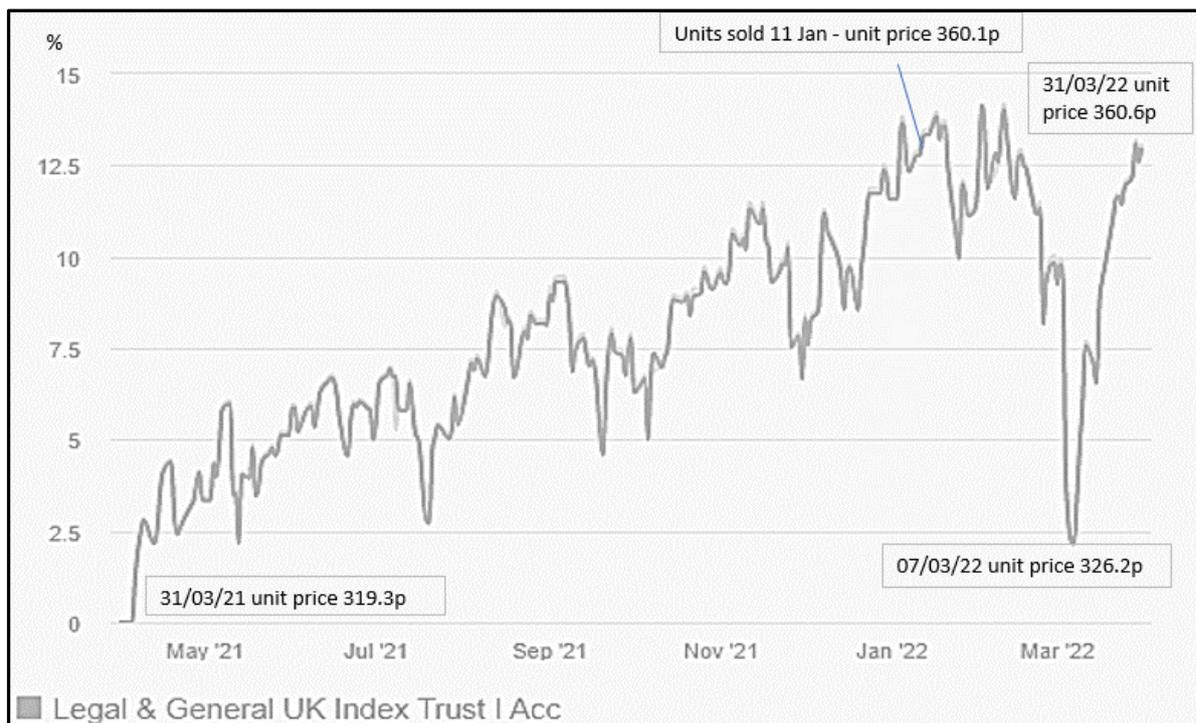
Note: the benchmark return for unit trusts and CCLA includes the movement in capital value. All other benchmarks reflect earnings of treasury investment income.

10. Daily cashflow balances are managed in-house with the portfolio of fixed-term deposits, call accounts and money market fund balances benchmarked against the three-month SONIA rate, which was an average of 0.24 per cent for 2021/22. The performance for the year of 0.81 per cent exceeded the benchmark by 0.57 per cent.

11. The CCLA property fund initial principal investment of £5 million (March 2013) increased in value during 2021/22 from £6.5 million to £7.6 million. Dividends received in the year totalled £0.26 million. Both the capital appreciation and the interest earned are included in the performance of 21.78 per cent achieved above. The capital gain is however not realised and so for comparison purposes, the actual rate of return of income received during the year is 3.8 per cent compared with the Fund’s benchmark income return of 3.3 per cent.

## Equities

12. The council's holdings with the Legal & General (L&G) UK Index Trust were purchased in 2000/01 at an initial cost of £10 million. This is an authorised unit trust incorporated in the United Kingdom and regulated by the FSA. The trust's objective is to provide growth by tracking the capital performance of the UK equity market as represented by the FTSE All-Share index.
13. The index is comprised of shares in all eligible companies listed on the London Stock Exchange's main market. The Fund seeks to replicate as closely as possible the constituents of the benchmark index, by holding all, or substantially all, of the assets comprising the FTSE All-Share Index in similar proportions to their index weightings. It may also hold shares in companies which are reasonably expected to become part of the Benchmark index in the near future. At 31 March 2022 the UK Index Trust Fund comprised 613 holdings.
14. The Fund performance as shown in Table 3 is comprised of income and capital growth. The capital growth performance is based on volatile market values and is unrealised. The price of units in the fund ranged from 319.3p per unit at the start of the financial year to a high of 364.1p per unit on 10 February 2022.
15. The chart below shows the performance of the Unit Trust during 2021/22



16. In line with the council's policy, in January 2022 units valued at £2 million were sold in order to realise some of the Fund's capital growth when its value exceeded £14 million. (Fund value 31/12/2021 = £14.255 million). The price of the Units sold was £360.1p. The All-Share Index fell a week later, and the Fund value dropped to a low price of £326.2p per unit on 7 March 2022 before recovering to end the financial year at a unit price of £360.6p.

17. The Fund invests in UK companies and aims to replicate the FTSE All Share with returns broadly in line with the performance of the Index. The constituents of the Fund will not always exactly match the Index and therefore performance may be positively or negatively impacted by the constituent and weighting variations and other factors such as trading costs for example.
18. The performance of the fund over the past five years compared to the benchmark index is summarised in table 4 below.

Table 4: Unit Trust returns achieved against benchmark					
12 months to 31 March	2022	2021	2020	2019	2018
	%	%	%	%	%
L&G UK Index Trust	12.88	27.63	-18.84	5.87	1.36
Index	13.07	28.77	-19.06	6.01	1.29
Relative to Index	-0.19	-1.14	0.22	-0.14	0.07

19. The council holds accumulation units where income attributable to the unit class is automatically reinvested in the in the Fund and is reflected in the price of each accumulation unit, rather than being distributed to unit holders. Consequently, no cash distribution payments were received during the year. Officers monitor the performance of the unit trust holding on a regular basis.

### Non-treasury investment loan

20. During 2013/14, the council entered into a secured loan agreement with SOHA to enable them to finance affordable housing schemes. The Council lent £15 million over 20 years at a fixed rate of 4.15 per cent. Interest is paid quarterly and during 2021/22, the council received £0.6 million.

### Land and property

21. The Council holds a portfolio of investment properties, which includes land, depots, garages, and shops that are let on a commercial basis. These assets are valued on an annual basis and had average net book value of £8 million during 2021/22 (£7.9 million 2020/21). Income generated was £0.49 million in 2021/22 (£0.32 million in 2020/21) giving a gross rate of return of 6.11 per cent.
22. Due to movement in property values and the exclusion of whole life costs, these rates of return should not be taken as a direct comparison with the performance of other classes of investment.

### Liquidity and yield

23. The council uses short-term investments to meet daily cash-flow requirements and aims to invest a proportion of the portfolio in longer-term instruments where possible.
24. The average daily balance held in short-term notice accounts during 2021-22 was £23.6million.

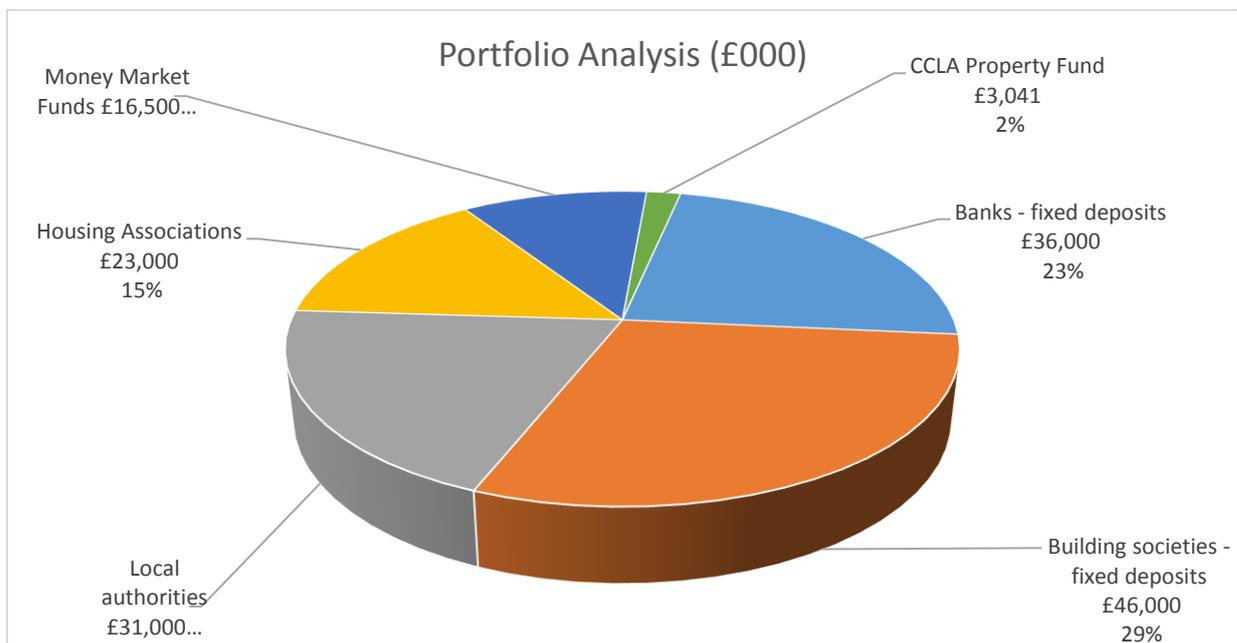
## VWHDC detailed treasury performance in 2021/22

### Council treasury investments as at 31 March 2022

1. The council's treasury investments analysed by age as at 31 March 2022 were as follows:

Table 1: maturity structure of investments at 31 March 2022:		
	£000	% holding
Money market fund	16,500	11%
Cash available within 1 week	16,500	11%
Up to 3 months	30,500	20%
5-6 months	27,000	17%
6 months to 1 year	55,500	36%
Over 1 year	23,000	15%
<b>Total cash deposits</b>	<b>152,500</b>	<b>98%</b>
CCLA Property Fund	3,041	2%
<b>Total investments</b>	<b>155,541</b>	<b>100%</b>

2. The majority of the funds invested were held in the form of fixed interest rate and term cash deposits. These provide some certainty over the investment return.
3. The investment profile is organised to ensure sufficient liquidity for revenue and capital activities, security of investments and to manage risks within all treasury management activities.
4. The chart below shows in percentage terms how the portfolio above is spread across investment types:



### Treasury investment income

5. The total interest earned on treasury investments during 2021/22 was £0.74 million compared to the original budget estimate of £0.56 million as shown in table 2 below:

Table 2: Investment interest earned by investment type			
Investment type	Annual Budget £000	Actual Interest £000	Variation £000
Fixed term and call	471	644	173
CCLA Property Fund	87	100	13
<b>Total Interest</b>	<b>558</b>	<b>744</b>	<b>186</b>

6. The actual rate of return achieved was £0.19 million higher than the original budget. This was primarily due to average balances throughout the year remaining higher than forecast.
7. The actual average rate of return on internally managed treasury deposits for the year was 0.45 per cent.

### Performance measurement

8. A list of treasury investments as at 31 March 2022 is shown in **appendix E**. All investments were with approved counterparties. The average level of investments held was £146 million. Table 3 below shows in summary the performance of the council's treasury investments against the benchmarks set out in the Treasury Management Strategy. These benchmarks are used to assess and monitor the council's treasury investment performance for each type of investment.
9. The £146 million does not represent the council's usable cash backed reserves, which at 31 March 2022 totalled £55 million including capital grants received in advance of spend. The difference represents the council's working capital balance and timing of cashflows.

Table 3: Treasury investment returns achieved against benchmark				
	Benchmark return	Actual return	Growth (below)/above Benchmark	Benchmarks
Bank & Building Society deposits - internally managed	0.24%	0.51%	0.27%	3 Month SONIA
Property related funds (CCLA)*	22.52%	21.78%	(0.74%)	IPD balanced property unit trust index
* Returns include income and capital growth				

10. Daily cashflow balances are managed in-house with the portfolio of fixed-term deposits, call accounts and money market fund balances benchmarked against the three-month SONIA rate, which was an average of 0.24 per cent for 2021/22. The performance for the year of 0.51 per cent exceeded the benchmark by 0.27 per cent.
11. The CCLA property fund initial principal investment of £2 million (April 2013) increased in value during 2021/22 from £2.6 million to £3 million. Dividends received in the year totalled £0.1 million. Both the capital appreciation and the interest earned are included in the performance of 21.78 per cent achieved above. The capital gain is however not realised and so for comparison purposes, the actual rate of return of income received during the year is 3.8 per cent compared with the Fund's benchmark income return of 3.3 per cent.

### **Land and Property**

12. The council holds a portfolio of investment properties, which includes land, offices and shops that are let on a commercial basis. These assets are valued on an annual basis and had an average net book value of £5.1 million during 2021/22 (£5.7 million as at 31 March 2021). Income generated was £0.3 million (£0.2 million in 2020/21). This is equivalent to a gross return of 5.62 per cent.
13. Due to movement in property values and the exclusion of whole life costs, these rates of return should not be taken as a direct comparison with other classes of investment.

### **Liquidity and yield**

14. The council uses short-term investments to meet daily cash-flow requirements and also aims to invest a proportion of the portfolio in longer-term instruments where possible.
15. The average daily balance held in short-term notice accounts during 2021-22 was £31 million.

**South Oxfordshire District Council investments as at 31 March 2022**

<b>Counterparty</b>	<b>Deposit Type</b>	<b>Maturity Date</b>	<b>Principal</b>	<b>Rate</b>
National Counties Building Society	Fixed	Apr-22	2,500,000	0.35%
Thurrock BC	Fixed	Apr-22	5,000,000	0.40%
Thurrock BC	Fixed	Apr-22	3,000,000	0.30%
National Counties Building Society	Fixed	Apr-22	1,000,000	0.33%
Thurrock BC	Fixed	May-22	5,000,000	0.40%
National Counties Building Society	Fixed	Jun-22	2,000,000	0.33%
Monmouthshire Building Society	Fixed	Jul-22	1,000,000	0.15%
Progressive Building Society	Fixed	Jul-22	2,500,000	0.16%
Principality Building Society	Fixed	Aug-22	2,000,000	0.15%
Monmouthshire Building Society	Fixed	Aug-22	2,000,000	0.15%
Principality Building Society	Fixed	Aug-22	1,500,000	0.15%
Principality Building Society	Fixed	Aug-22	2,000,000	0.15%
Monmouthshire Building Society	Fixed	Aug-22	2,000,000	0.15%
Furness Building Society	Fixed	Aug-22	2,000,000	0.30%
Thurrock BC	Fixed	Aug-22	3,500,000	0.20%
Newcastle Building Society	Fixed	Aug-22	2,000,000	0.18%
Newcastle Building Society	Fixed	Aug-22	2,000,000	0.18%
Surrey Heath BC	Fixed	Aug-22	3,000,000	0.16%
Furness Building Society	Fixed	Sep-22	2,000,000	0.30%
Goldman Sachs International Bank	Fixed	Sep-22	2,000,000	0.38%
National Bank of Kuwait	Fixed	Sep-22	3,000,000	0.22%
Monmouthshire Building Society	Fixed	Sep-22	3,000,000	0.15%
Nottingham Building Society	Fixed	Sep-22	3,000,000	0.15%
Furness Building Society	Fixed	Sep-22	2,000,000	0.30%
Nottingham Building Society	Fixed	Sep-22	2,000,000	0.15%
Cambridge BS	Fixed	Sep-22	3,000,000	0.25%
Principality Building Society	Fixed	Oct-22	3,000,000	0.23%
Progressive Building Society	Fixed	Oct-22	1,000,000	0.35%
Progressive Building Society	Fixed	Oct-22	2,000,000	0.35%
Goldman Sachs International Bank	Fixed	Oct-22	4,000,000	0.82%
Saffron Building Society	Fixed	Nov-22	2,000,000	0.35%
Saffron Building Society	Fixed	Nov-22	1,000,000	0.35%
National Counties Building Society	Fixed	Nov-22	3,000,000	0.50%
Skipton Building Society	Fixed	Nov-22	3,000,000	0.20%
Furness Building Society	Fixed	Nov-22	3,000,000	0.50%
Monmouthshire Building Society	Fixed	Nov-22	1,000,000	0.40%
West Bromwich Building Society	Fixed	Nov-22	4,000,000	0.28%
Saffron Building Society	Fixed	Dec-22	3,000,000	0.40%
Blaenau Gwent CBC	Fixed	Dec-22	3,000,000	0.18%
Blaenau Gwent CBC	Fixed	Jan-23	4,000,000	0.20%
Skipton Building Society	Fixed	Jan-23	4,000,000	0.25%
West Bromwich Building Society	Fixed	Jan-23	2,000,000	0.55%
Thurrock BC	Fixed	Jan-23	3,500,000	0.38%
Cumberland Building Society	Fixed	Jan-23	2,000,000	0.62%
Royal Bank of Scotland	Fixed	Feb-23	2,000,000	2.46%
Goldman Sachs International Bank	Fixed	Feb-23	5,000,000	1.72%
Wokingham BC	Fixed	Mar-23	5,000,000	1.10%
Places for People	Fixed	Mar-23	5,000,000	1.00%
Principality Building Society	Fixed	Mar-23	2,000,000	1.23%
West Bromwich Building Society	Fixed	Mar-23	2,000,000	1.15%
Places for People	Fixed	Apr-23	5,000,000	1.00%
Places for People	Fixed	May-23	2,000,000	1.00%
Places for People	Fixed	Jun-23	3,000,000	1.00%
Gravesham Borough Council	Fixed	Apr-24	3,000,000	0.30%
Gravesham Borough Council	Fixed	Mar-27	3,000,000	0.75%
Santander Reserve Account	Call		410,032	variable
Royal Bank of Scotland	Call		2,362	variable
Royal Bank of Scotland	Call		96,489	variable
Goldman Sachs	MMF		20,400,000	variable
Blackrock	MMF		4,690,000	variable
L&G Equities	Unit Trust		12,424,595	variable
CCLA	Property Fund		7,602,919	variable
<b>TOTAL</b>			<b>195,126,397</b>	

<b>Vale of White Horse District Council investments at 31 March 2022</b>				
<b>Counterparty</b>	<b>Deposit Type</b>	<b>Maturity Date</b>	<b>Principal</b>	<b>Rate</b>
Principality Building Society	Fixed	May-22	2,000,000	0.15%
Places For People Homes Ltd	Fixed	Jun-22	5,000,000	0.75%
Furness Building Society	Fixed	Jun-22	3,000,000	0.35%
National Counties Building Society	Fixed	Jun-22	1,000,000	0.33%
Merthyr Tydfil CBC	Fixed	Jun-22	4,000,000	0.80%
National Bank of Kuwait (Int)	Fixed	Jun-22	5,000,000	0.23%
Newcastle Building Society	Fixed	Jun-22	2,500,000	0.18%
National Counties Building Society	Fixed	Jul-22	1,000,000	0.33%
PCC for Merseyside	Fixed	Aug-22	5,000,000	0.38%
Monmouthshire Building Society	Fixed	Aug-22	2,000,000	0.15%
National Counties Building Society	Fixed	Aug-22	3,000,000	0.35%
Cambridge Building Society	Fixed	Aug-22	1,000,000	0.25%
National Counties Building Society	Fixed	Sep-22	1,000,000	0.33%
Monmouthshire Building Society	Fixed	Sep-22	1,000,000	0.15%
Principality Building Society	Fixed	Sep-22	3,000,000	0.15%
Thurrock Council	Fixed	Sep-22	5,000,000	0.20%
Saffron Building Society	Fixed	Sep-22	3,000,000	0.20%
Cambridge Building Society	Fixed	Sep-22	2,000,000	0.25%
Furness Building Society	Fixed	Oct-22	3,000,000	0.30%
Goldman Sachs International Bank	Fixed	Nov-22	3,000,000	0.91%
Metropolitan Housing Trust Ltd	Fixed	Nov-22	3,000,000	1.10%
West Bromwich Building Society	Fixed	Nov-22	2,500,000	0.36%
Monmouthshire Building Society	Fixed	Dec-22	3,000,000	0.38%
Principality Building Society	Fixed	Dec-22	2,000,000	0.38%
Goldman Sachs International Bank	Fixed	Dec-22	5,000,000	1.09%
Progressive Building Society	Fixed	Jan-23	3,000,000	0.35%
Thurrock Council	Fixed	Jan-23	3,000,000	0.25%
Close Brothers Ltd	Fixed	Jan-23	3,000,000	0.90%
Blackpool Borough Council	Fixed	Jan-23	4,000,000	0.40%
Cumberland Building Society	Fixed	Jan-23	2,000,000	0.62%
Goldman Sachs International Bank	Fixed	Feb-23	3,000,000	1.68%
Goldman Sachs International Bank	Fixed	Mar-23	2,000,000	0.37%
Close Brothers Ltd	Fixed	Mar-23	2,000,000	1.50%
National Bank of Kuwait (Int)	Fixed	Mar-23	5,000,000	1.65%
Southern Housing Group	Fixed	Mar-23	5,000,000	1.00%
Thurrock Council	Fixed	Mar-23	2,000,000	1.17%
Yorkshire Housing Ltd	Fixed	Apr-23	5,000,000	1.00%
Places for People Homes Ltd	Fixed	Jun-23	2,000,000	1.00%
Places For People Homes Ltd	Fixed	Oct-23	1,000,000	1.00%
Places For People Homes Ltd	Fixed	Feb-24	2,000,000	1.00%
Gravesham Borough Council	Fixed	Apr-24	3,000,000	0.30%
Rotherham MBC	Fixed	Jun-24	5,000,000	variable
Kirklees Metropolitan Council	Fixed	Mar-25	5,000,000	0.80%
Lloyds Bank	Call		8,000,000	0.04%
Goldman Sachs	MMF		8,000,000	variable
LGIM	MMF		8,500,000	variable
CCLA	Property fund		2,000,000	
<b>GRAND TOTAL</b>			<b>154,500,000</b>	

Note – these tables show principal investment values, whereas figures in table 1 of appendix C and appendix D are shown at the fair values of investments held.

GLOSSARY OF TERMS

<b>Basis point (BP)</b>	1/100th of 1%, i.e. 0.01%
<b>Base rate</b>	Minimum lending rate of a bank or financial institution in the UK.
<b>Benchmark</b>	A measure against which the investment policy or performance of a fund manager can be compared.
<b>Bill of Exchange</b>	A non-interest-bearing written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date.
<b>Callable Deposit</b>	A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower.
<b>[Cash] Fund Management</b>	Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio.
<b>Certificate of Deposit (CD)</b>	Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD.
<b>Commercial Paper</b>	Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing.
<b>Corporate Bond</b>	Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.
<b>Counterparty</b>	Another (or the other) party to an agreement or other market contract (e.g. lender/borrower/writer of a swap/etc.)
<b>Credit Default Swap (CDS)</b>	A swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap.

<b>Capital Financing Requirement (CFR)</b>	The amount the council has to borrow to fund its capital commitments.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy.
<b>CLG</b>	[Department for] Communities and Local Government.
<b>Derivative</b>	A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g. an option is a derivative because its value changes in relation to the performance of an underlying stock.
<b>Debt Management Account Deposit Facility (DMADF)</b>	Deposit Account offered by the Debt Management Office, guaranteed by the UK government
<b>European Central Bank (ECB)</b>	European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is the keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle.
<b>European and Monetary Union (EMU)</b>	The Economic and Monetary Union (EMU) is an umbrella term for the group of policies aimed at converging the economies of all member states of the European Union.
<b>Equity</b>	A share in a company with limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital appreciation. Equity values can decrease as well as increase.
<b>Forward Deal</b>	The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed rate.
<b>Forward Deposits</b>	Same as forward dealing (above).
<b>Fiscal Policy</b>	The government policy on taxation and welfare payments.
<b>GDP</b>	Gross Domestic Product.
<b>[UK] Gilt</b>	Registered UK government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent.
<b>LIBID</b>	London inter-bank bid rate (to be phased out in December 2021)
<b>LIBOR</b>	London inter-bank offered rate (to be phased out in December 2021)

<b>Money Market Fund</b>	A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments. It is very similar to a unit trust, however in a MMF.
<b>Monetary Policy Committee (MPC)</b>	Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2% in two years time from the date of the monthly meeting of the committee. Their secondary target is to support the government in maintaining high and stable levels of growth and employment.
<b>Other Bond Funds</b>	Pooled funds investing in a wide range of bonds.
<b>PWLB</b>	Public Works Loan Board.
<b>QE</b>	Quantitative Easing.
<b>Retail Price Index</b>	Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person.
<b>Sovereign Issues (excl UK Gilts)</b>	Bonds issued or guaranteed by nation states, but excluding UK government bonds.
<b>Supranational Bonds</b>	Bonds issued by supranational bodies, e.g. European Investment Bank. The bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts.
<b>Treasury Bill</b>	Treasury bills are short-term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value.

# Joint Audit and Governance Committee

Report of Internal Audit Manager

Author: Victoria Dorman-Smith

Telephone: 01235 422430

E-mail: [victoria.dorman-smith@southandvale.gov.uk](mailto:victoria.dorman-smith@southandvale.gov.uk)

SODC cabinet member responsible: Councillor Leigh Rawlins

Tel: 01189 722565

E-mail: [leigh.rawlins@southoxon.gov.uk](mailto:leigh.rawlins@southoxon.gov.uk)

VWHDC cabinet member responsible: Councillor Andy Crawford

Telephone: 01235 772134

E-mail: [andy.crawford@whitehorsedc.gov.uk](mailto:andy.crawford@whitehorsedc.gov.uk)

To: Joint Audit and Governance Committee

DATE: 27 September 2022

## Internal audit activity report quarter two 2022/23

### Recommendations

That members note the content of the report

### Purpose of report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity at both councils for the committee to consider. The committee is asked to review the report and the main issues arising and seek assurance that action will be/has been taken where necessary.
2. The contact officer for this report is Victoria Dorman-Smith, Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), email [victoria.dorman-smith@southandvale.gov.uk](mailto:victoria.dorman-smith@southandvale.gov.uk).

### Strategic objectives

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

4. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the council's objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

5. Assurance ratings given by internal audit indicate the following:

**Full assurance:** There is a good system of internal control designed to meet the system objectives and the controls are being consistently applied.

**Substantial assurance:** There is a sound system of internal control designed to meet the system objectives and the controls are being applied.

**Satisfactory assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

**Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

**Nil assurance:** Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

6. Each recommendation is given one of the following risk ratings:

**High Risk:** Fundamental control weakness for senior management action

**Medium Risk:** Other control weakness for local management action

**Low Risk:** Recommended best practice to improve overall control

### Completed audit reports

7. As of 9 September 2022, since the last joint audit and governance committee meeting the following audits and follow up reviews have been completed:

**Completed Audits: 9**

Full Assurance: 1

Substantial Assurance: 2

Satisfactory Assurance: 6

Limited Assurance: 0

Nil Assurance: 0

Audit Area	Assurance Rating	Total Recs	Agenda Item 8					
			High Risk	No. Agreed	Medium Risk	No. Agreed	Low Risk	No. Agreed
<b>Joint</b>								
Housing Benefits & Council Tax Reduction Scheme 21/22	Satisfactory	7	0	0	3	3	4	4
Learning & Development 21/22	Satisfactory	8	0	0	4	4	4	4
Information Governance 21/22	Full	1	0	0	0	0	1	1
Garden Waste 21/22	Satisfactory	4	0	0	2	2	2	2
Covid-19 Grants 21/22	Satisfactory	6	0	0	3	3	3	3
Council Tax 21/22	Satisfactory	7	0	0	4	4	3	3
Grievance Policy 22/23	Substantial	7	0	0	1	1	6	6
Gifts & Hospitality 22/23	Satisfactory	4	0	0	4	4	0	0
Community Safety 22/23	Substantial	2	0	0	1	1	1	1
<b>SODC</b>								
None								
<b>VWHDC</b>								
None								

### Follow Up Reviews

Audit Area	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	No longer applicable
<b>Joint</b>						
Car Parking & Enforcement 21/22	Satisfactory	13	6	2	5	0
Council Fees & Charges 21/22	Satisfactory	6	0	1	5	0
Planning Appeals 21/22	Satisfactory	7	2	3	2	0
Property Management 21/22	Limited	9	1	2	6	0
<b>SODC</b>						
None						
<b>VWHDC</b>						
None						

8. Members of the committee are asked to seek assurance from the internal audit reports and/or respective managers that the agreed actions have been or will be undertaken where necessary.
9. A copy of each report has been sent to the appropriate service manager, the section 151 officer and the relevant member portfolio holder. In addition, reports are now published

on the councils' intranet and limited assurance reports are reviewed by the strategic management team.

10. Internal audit continues to carry out a six month follow up on all non-key financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

**Climate and ecological impact implications**

11. There are no direct climate or ecological implications arising from this report.

**Financial implications**

12. There are no financial implications attached to this report.

**Legal implications**

13. None.

**Risks**

14. Identification of risk is an integral part of all audits.

VICTORIA DORMAN-SMITH  
INTERNAL AUDIT MANAGER

# Joint Audit and Governance Committee



Report of Internal Audit Manager

Author: Victoria Dorman-Smith

Telephone: 01235 422430

E-mail: [victoria.dorman-smith@southandvale.gov.uk](mailto:victoria.dorman-smith@southandvale.gov.uk)

SODC cabinet member responsible: Councillor Leigh Rawlins

Tel: 01189 722565

E-mail: [leigh.rawlins@southoxon.gov.uk](mailto:leigh.rawlins@southoxon.gov.uk)

VWHDC cabinet member responsible: Councillor Andy Crawford

Telephone: 01235 772134

E-mail: [andy.crawford@whitehorsedc.gov.uk](mailto:andy.crawford@whitehorsedc.gov.uk)

To: Joint Audit and Governance Committee

DATE: 27 September 2022

## Internal audit management report quarter two 2022/23

Recommendation(s)

That members note the content of the report.

### Purpose of report

1. The purpose of this report is:
  - to report on management issues within internal audit.
  - to summarise the progress against the 2022/23 internal audit plan up to 9 September 2022: and
  - to summarise the priorities for quarter three 2022/23.
2. The contact officer for this report is Victoria Dorman-Smith, Internal Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 07766 780835, email [victoria.dorman-smith@southandvale.gov.uk](mailto:victoria.dorman-smith@southandvale.gov.uk).

**Strategic objectives**

3. Delivery of an effective internal audit function will support the councils in meeting their strategic objectives.

**Background**

4. The Public Sector Internal Audit Standards (PSIAS) state that the head of internal audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the resource requirements to deliver the plan, for audit committee approval. The Joint Audit and Governance Committee approved the 2022/23 annual internal audit plan on 29 March 2022.
5. The PSIAS also states that the head of internal audit must periodically report on performance relative to the plan.

**Progress against the 2022/23 internal audit plan**

6. In September 2022, the internal audit manager began a mid-year assessment of the internal audit plan for 2022/23 to ensure that it continues to respond to emerging risks and corporate objectives. As part of this review, the internal audit manager will perform enquiries of the strategic management team (SMT) to obtain insights into the level of risk exposure within each service area across both councils. In addition, the corporate risk registers will be reviewed as this represents management’s assessment of the risks to the councils achieving their strategic objectives.
7. Progress against the approved internal audit plan for 2022/23 has been calculated for the year to date and is summarised in **appendix 1** attached. The status of planned, unplanned and follow up audit work is as follows:

Planned: Strategic, operational, and financial assurance and consultancy work known and approved by the joint audit and governance committee.

2022/23	Planned	To commence	In progress	Draft Out	Completed
<b>Total</b>	<b>30</b>	<b>17</b>	<b>9</b>	<b>1</b>	<b>3</b>
Joint	30	17	9	1	3
SODC	0	0	0	0	0
VWHDC	0	0	0	0	0

Unplanned: Unplanned project work based on agreed terms of reference with the internal audit manager (i.e., implementation of new systems) and responsive work issued and agreed by the section 151 officer, members, or senior management team (i.e., investigations).

Unplanned	Requested	Complete	In progress	To commence
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
Joint	0	0	0	1
SODC	0	0	0	0
VWHDC	0	0	0	0

Follow up: Work undertaken to ensure that agreed recommendations have been implemented. The number of follow-up audits is a rolling number, all internal audit reports are followed up after six months unless the area is subject to an annual review.

Follow up	Requested	Completed	In progress	To commence Q3 2022/23
<b>Total</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>1</b>
Joint	0	4	0	1
SODC	0	0	0	0
VWHDC	0	0	0	0

8. Performance figures to date are as follows:

Performance criteria	Target	YTD	Actuals by Quarter	
			Q1 22/23	Q2 22/23
<b>Chargeable</b> (identifiable client and/or specific IA deliverable)	71%	55%	51%	60%
<b>Non-Chargeable</b> (corporate, not IA deliverable)	9%	17%	15%	18%
<b>Planned Lost</b> (i.e. leave)	16%	21%	25%	16%
<b>Unplanned Lost</b> (i.e. study, sickness)	4%	7%	9%	6%

9. The priorities for quarter three are to:

- Finalise audit work from the first half of the year:
- Commence Q3 planned audit work in line with the 2022/23 audit plan.
- Complete half yearly assessment of the audit plan.

### Climate and ecological impact implications

10. There are no direct climate or ecological implications arising from this report.

### Financial implications

11. There are no financial implications attached to this report.

### Legal implications

12. None.

### Risk implications

13. Identification of risk is an integral part of all audits.

VICTORIA DORMAN-SMITH  
INTERNAL AUDIT MANAGER

Audit Area	Status	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
As at 9 September 2022											
<b>KEY FINANCIAL AUDITS</b>											
Accounts Payable (19) SODC VWHDC	To Commence Q4										
Accounts Receivable (18) SODC VWHDC	To Commence Q3										
Capital Management & Accounting (15) SODC VWHDC	To Commence Q4										
Council Tax (19) SODC VWHDC	In Progress										
General Ledger (18) SODC VWHDC	To Commence Q4										
Housing Benefits & Council Tax Reduction Scheme (19) SODC VWHDC	To Commence Q3										
National Non-Domestic Rates (NDR) (19) SODC VWHDC	To Commence Q3										
Payroll (21) SODC VWHDC	Draft Out										
Treasury Management (18) SODC VWHDC	To Commence Q4										
<b>PLANNED ASSURANCE AUDITS</b>											
Grounds & Parks Maintenance (incl. ROSPA, Tree Management & Inspections) (17) SODC VWHDC	To Commence Q3										
Housing Allocations (12) SODC VWHDC	In Progress										
Temporary Accommodation (10) SODC VWHDC	To Commence Q4										
Food Safety (11) SODC VWHDC	To Commence Q4										
Financial Accounting (19) SODC VWHDC	In Progress										
Leases (13) SODC VWHDC	In Progress										
Energy Rebate (17) SODC VWHDC	In Progress										
Discretionary Fund (17) SODC VWHDC	To Commence Q3										
Gifts and Hospitality (Officers & Councillors) (11) SODC VWHDC	Completed		Satisfactory Satisfactory	4 4	0 0	0 0	4 4	4 4	0 0	0 0	4 4
Community Safety (9) SODC VWHDC	Completed		Substantial Substantial	7 7	0 0	0 0	1 1	1 1	1 1	1 1	2 2
Corporate Consultations (10) SODC VWHDC	To Commence Q3										
Grievance Policy (12) SODC VWHDC	Completed		Substantial Substantial	7 7	0 0	0 0	1 1	1 1	6 6	6 6	7 7
Health & Safety (incl. Lone Working) (16) SODC VWHDC	In Progress										
Information Security (21) SODC VWHDC	In Progress										
IT General Controls - Council Managed Systems (20) SODC VWHDC	In Progress										
Corporate Delivery Framework (14) SODC VWHDC	To Commence Q4										
Business Continuity (17) SODC VWHDC	To Commence Q4										
Risk Management (17) SODC VWHDC	To Commence Q4										
<b>PLANNED CONSULTANCY AUDITS</b>											
Building Control (14) SODC VWHDC	To Commence Q4										
Ocella System Functionality (14) SODC VWHDC	In Progress										
Garden Communities (16) SODC VWHDC	To Commence Q4										
<b>JOINT PLANNED AUDIT TOTALS</b>	30			36	0	0	12	12	14	14	26
	Completed 3		Full 0								
	Draft Out 1		Substantial 4								
	In Progress 9		Satisfactory 2								
	To Commence Q3 6		Limited 0								
	To Commence Q4 11										