

# Minutes



## OF A MEETING OF THE

# Joint Audit and Governance Committee

HELD ON MONDAY 30 OCTOBER 2023 AT 7.00 PM  
MEETING ROOM 1, ABBEY HOUSE, ABBEY CLOSE, ABINGDON,  
OX14 3JE

### Present in the meeting room

Members:

South Oxfordshire District Councillors: Mocky Khan (Co-Chair in the chair), Peter Dragonetti, Leigh Rawlins, and Tony Worgan

Vale of White Horse District Councillors: Emily Smith (Co-Chair), Oliver Forder, Judy Roberts, and Andrew Skinner

Independent member: Mike Boon

Officers: Darius Zarazel (Democratic Services Officer) and Simon Hewings (Head of Finance)

Guests: Councillor Pieter-Paul Barker (South Oxfordshire District Council Cabinet Member for Finance and Property Assets) and Andrew Crawford (Vale of White Horse District Council Cabinet Member for Finance and Property)

### Remote attendance:

Officers: Richard Tebbs (EY), Maria Grindley (EY), and Richard Spraggett (Strategic Finance Officer)

Guests: Councillor Sue Cooper (South Oxfordshire District Council Cabinet Member for the Environment), Councillor Ken Arlett (South Oxfordshire District Council), and David Rouane (Leader of South Oxfordshire District Council).

## 23 Apologies for absence

There were no apologies for absence.

## 24 Minutes

**RESOLVED:** to approve the minutes of the meeting held on 3 October 2023 as a correct record and agree that the chair sign these as such.

## 25 Declarations of interest

There were no declarations of interest.

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

The chair welcomed everyone to the meeting, outlined the procedure to be followed, and advised on emergency evacuation arrangements. He also noted that there was no urgent business.

## **27 Public participation**

There was no public participation.

## **28 External auditor's audit results report - 2021/22**

The committee received and noted the external auditor's audit results report 2021/22 and verbal update, presented by Maria Grindley and Richard Tebbs from the council's external auditors, EY.

EY thanked the councils' team for their work on the audit and highlighted that since their audit report was published in the agenda, they had continued to work on the audits and good progress had been made. Richard Tebbs outlined a number of items in the external auditor's report which were noted as still being open, specifically that there was some work outstanding on pensions, property, plant, and equipment (PPE) and investment property, together with a query on creditors, and also on EY's own audit completion procedures.

On pensions, EY confirmed they were substantially complete and raised some questions with the council's actuary. Therefore, subject to final partner review, EY's work on that area was complete. On PPE and investment property, they confirmed work in this area was complete subject to one final query. Also, the outstanding query on creditors was closed with no further issues identified.

Richard Tebbs confirmed to the committee that EY have no further findings on significant risks as they had concluded their questioning on creditors with no further findings to present. For other risks, EY had completed work on the valuation of land and buildings which involved reviewing the assumptions of the councils' external valuers. For South Oxfordshire District Council, they identified one property that was using a higher price per pitch when compared to comparable sales in the area as well as a property that used a more pessimistic assumption that they were expecting. For the Vale of White Horse District Council, they identified a single case where the valuer used a more optimistic assumption than they expected, based on industry indices. However, Richard Tebbs confirmed to members that any optimistic or pessimistic assumptions would not lead to material difference on the items reviewed.

For those land and properties that had not been through the formal valuation process during the time of the audit, EY used indices to examine whether there had been any undervaluation of assets. As a result, South Oxfordshire had an approximately £2m difference between what the value could be and what it was listed as, and Vale of White Horse had an equivalent £3m difference. The biggest increases in both councils were noted as being due to land prices. Richard Tebbs confirmed to members that EY were discussing a resolution with council management.

Richard Tebbs then highlighted an area of best practice seen in other councils that was not done in the Vale and South Oxfordshire, about the valuation of PPE across a range of categories on a yearly basis, which would ensure more categories were able to be updated yearly on the asset register. However, he assured members that this was an area of best practice and not one that would materially impact the statements.

EY also identified areas of disclosure they believed could be enhanced and small differences in the reconciliations. Richard Tebbs noted that there was a difference of £94,000 for South Oxfordshire and £164,000 for the Vale between the fixed asset valuation report and figures in the disclosures. However, although they were above EY's reporting threshold, they were below the tolerable difference. In both cases, EY recommended management further enhance their disclosures around significant judgments and uncertainties to help address these differences.

On the pension liability valuation, Richard Tebbs confirmed EY had completed their planned procedures, although a query was raised to the council's actuary about some unusual movements in the report and reconciling some results and although responded to, EY would need a follow-up to clarify some of the information provided. They also noted that some information had not been updated since the previous pension evaluation.

Richard Tebbs then informed the committee about some updates on the identified misstatements and on the corrected misstatements. Since the report was published, an additional misstatement was found for South Oxfordshire relating to unit trust investments. This did not result in any change to the Comprehensive Income and Expenditure Statement (CIES) but that it had actually had a gross impact of £931,000 on both the financial instrument revaluation reserve and the unit trust dividend reinvested reserve. For the Vale, a further adjustment was corrected regarding reserves as £1.3m should have been recorded in general fund.

EY then outlined three areas where there were issues with the disclosures presented in the financial statements, but that did not impact the primary statements. Firstly, for both South Oxfordshire and the Vale, senior officer remuneration did not agree to the underlying payslips for two staff members. In addition, for South Oxfordshire, the exit package disclosure did not give payment in lieu of notice, a Chartered Institute of Public Finance and Accountancy (CIPFA) requirement. However, Richard Tebbs confirmed to the committee that they had been resolved by management.

Secondly, EY identified areas of the accounts, such as financial instruments and debtors and creditors, which had been inconsistent between account notes and the underlying schedules. Thirdly, EY noted that the narrative report, presented alongside the financial statements, had not been updated to reflect changes made in the financial statements.

Richard Tebbs then provided a final update to the report about the financial reporting. He noted there was one additional area they noted on the contract register where, for both South Oxfordshire and the Vale, there were 23 lines in the register with no financial value assigned to them. He concluded by recommending that the full information be provided in that register for all items.

Members asked the representatives from EY about the adjusted differences, with specific reference made to the pension difference and what the net effect of that would be. In response, Richard Tebbs confirmed that the change was a result of it being moving from one part of the disclosure to another but had no effect on the total statement. Also, on the inconsistencies between the financial instrument disclosures, members also inquired about what the net effect would be, and Richard Tebbs also confirmed that the financial instrument disclosure did not affect the balance sheet. Finally, members asked about the South Oxfordshire general reserve reduction from £71m to £48m and Richard Tebbs assured members that the change was an adjustment between earmarked reserves and unallocated reserves, and this also had no effect on the balance sheet total.

On unadjusted differences, members of the committee inquired into the figures, but were satisfied with the breakdown by Richard Tebbs, however they suggested that EY could add in the impacts of the figures and what they were related to in order to make the table easier to read for residents.

The committee enquired with EY about if there were any areas of valuation of assets and liabilities that caused them concern. In response, Maria Grindley confirmed, although there were some areas the council could improve, EY had no underlying concerns. If they did, it was noted that they would have raised it in their report and required a response from the councils.

In response to a question about if EY identified any weakness in the management system of the council, Maria Grindley emphasised that they conducted sample-based testing which provided some idea about the effectiveness of management. Therefore, although they could not provide full assurance, she confirmed that nothing needed to be brought to the committee's attention.

The independent member asked about the project management to the conclusion of the audit and Maria Grindley informed members that she hoped for a response from the actuary and for an agreement on other aspects of assets and investment properties queries in the coming week. She emphasised that as soon as EY had received those responses, they would be ready to sign off the audit.

Members inquired into the delays in bill settling by third parties and how there was no recommendation about how the delay could be avoided, or an assessment of its impact. In response, Richard Tebbs highlighted that they wanted to identify it as an interesting point for the committee to consider and that, although the delay in one third party paying their bills was over a long time, due to the financial position of the councils there was no immediate financial risk. The head of finance also assured the committee that this was not the norm, and the council was endeavouring to make sure that it would not happen again.

The committee suggested that a value for money comparison between South Oxfordshire and the Vale and other councils would be valuable, but Maria Grindley highlighted that there were no benchmarking requirements and that there had been difficulty in doing so when it was tried in the past.

In response to a question about the number and type of errors in the statement of accounts, and if they were normally high or low, Maria Grindley informed the committee that EY had conversations with the head of finance about this and that one of the reasons why there was a delay in signing off the accounts was due to the drop in materiality to a lower level due to mistakes that were made in the previous year. She also noted that those past errors required a larger sample size as well, also slowing down the audit. Overall, she wanted to see materiality move back up, EY stated however that they were satisfied that the council was working constructively with them and was always responsive, which helped to reduce the audit burden.

Finally, members asked if EY were comfortable for the committee to agree the statement of accounts 2021/22 in principle, or if they believed it should come back to the committee at a later date once their report was totally finalised. Maria Grindley then confirmed that, as the vast majority of their work was complete and as there were only two outstanding areas for queries, she was comfortable with the committee approving the accounts, but that EY would update the committee should anything significant come forward.

Overall, the committee thanked the external auditors for their report and verbal update and the answers to their questions.

South Oxfordshire District Council **RESOLVED:**

- 1) To note the external auditors audit results report 2021/22 and the verbal update.
- 2) To authorise the head of finance, in consultation with the co-chairs, to approve the actions from the external auditor's report, subject to there being no material changes in the report being confirmed to the committee by EY and the council.

Vale of White Horse District Council **RESOLVED:**

- 1) To note the external auditors audit results report 2021/22 and the verbal update.
- 2) To authorise the head of finance, in consultation with the co-chairs, to approve the actions from the external auditor's report, subject to there being no material changes in the report being confirmed to the committee by EY and the council.

## **29 Statement of accounts - 2021/22**

The committee received the statement of accounts 2021/22, presented by the head of finance and assisted by the Strategic Finance Officer, Richard Spraggett. The head of finance noted that both the South Oxfordshire and Vale of White Horse District Councils' Statement of accounts were in draft and that it would be finished after the external auditors signed off the accounts. Therefore, it was recommended that the committee delegate the approval of the accounts to the head of finance in consultation with the co-chairs.

Members inquired into the council's debt collection rate and its position as being 84 out of 188 councils for this. In response, the head of finance emphasised that the council relaxed some debt recovery activity during the COVID pandemic but that this had now returned to pre-COVID level, and that the councils were currently in the upper quartile.

In response to a further question on COVID debt recovery and if they could expect to see debt recovery for 2022/23 being over 100 per cent, representing the catch-up from 2021/22, the head of finance confirmed that the figure could never be over 100 per cent because those percentages represented the debt for that year, not to total debt collection. However, he confirmed that it was possible to collect more debt than they expected to collect for that year.

A member inquired into the movement in the collection fund adjustment account. The head of finance responded that there was no simple answer and that the councils were governed by accounting regulations as to what was accounted for in year in the accounts, compared to actual payments.

On the Vale reserves, members noted that there was a decrease in 2021/22 and enquired as to why that was and if it reflected the budgetary position. Responding to this, the head of finance noted that the reserves did decrease but that this was in line with the budget.

Also, on the language used in report and how there were members listed who were no longer at the council, the head of finance clarified that this was due to the account being a snapshot of time in 2021/22. An example of members' declarations was given as they had not received declaration by the period so the wording was correct for the period, although it was acknowledged that phrases such as 'at time of publication' could be confusing to readers.

Overall, members were satisfied with the response to their questions and with the approach to finalising the accounts as proposed by the head of finance. Therefore, they agreed to authorise the approval of the statement of accounts 2021/22 to the head of finance, in consultation with the co-chairs, if there was no material change in the document as a result of future work.

South Oxfordshire District Council **RESOLVED**: to authorise the head of finance, in consultation with the co-chairs, to approve the South Oxfordshire District Council statement of accounts 2021/22, subject to there being no material changes in the statements being confirmed to the committee by EY and the council.

Vale of White Horse District Council **RESOLVED**: to authorise the head of finance, in consultation with the co-chairs, to approve the Vale of White Horse District Council statement of accounts 2021/22, subject to there being no material changes in the statements being confirmed to the committee by EY and the council.

### **30 Annual governance statements - 2021/22**

The committee received the annual governance statements 2021/22, presented by the democratic services officer. The annual governance statements explained how

the councils complied with their code of governance and were noted as forming part of the statement of accounts.

The democratic services officer highlighted that the reports were written a year ago and that the next statements were currently being prepared. In addition, future statements would use a more reader-friendly template and be prepared and presented by the councils' internal audit and risk team.

Members discussed the documents' reference to membership of organisations that the council was no longer a part of, but the head of finance confirmed that the council was a part of the organisations at the point of 2021/22 and so they needed to be included.

On point 17 in the table of the report, about the approval of the budget, members noted that financial monitoring should be included as it would be helpful for the committee for future statements.

Overall, members were satisfied with the annual governance statement 2021/22 and agreed that it should be approved.

South Oxfordshire District Council **RESOLVED**: to approve the South Oxfordshire District Council annual governance statement 2021/22.

Vale of White Horse District Council **RESOLVED**: to approve the Vale of White Horse District Council annual governance statement 2021/22.

### **31 Letters of representation to the external auditor**

The committee received the draft letters of representation to the external auditor, presented by the head of finance. He informed the committee that it was the final part of the statement of accounts approval process and that the councils needed to write to EY after signing the accounts to make final comments and representations. The letters would state that the council was satisfied they provided everything they need to the external auditor.

He also noted that the letters were draft at the point of dispatch of the agenda but that any changes that may be made might not have any impact on the letters, even if changes were adopted.

Overall, the committee was satisfied with authorising the signing of the letters, subject to their being no material changes to the ones presented and that this being confirmed to the committee by EY and the council.

Finally, the committee expressed its thanks to the councils' external auditors from EY, Maria Grindley and Richard Tebbs, and the councils' finance staff, the head of finance and Richard Spraggett, for their work on the statement of accounts 2021/22.

South Oxfordshire District Council **RESOLVED**: to authorise the head of finance, in consultation with the co-chairs, to approve the signing of the finalised letters of

representation to the external auditor, subject to no material changes in the letters being confirmed to committee by EY and the council.

Vale of White Horse District Council **RESOLVED:** to authorise the head of finance, in consultation with the co-chairs, to approve the signing of the finalised letters of representation to the external auditor, subject to no material changes in the letters being confirmed to committee by EY and the council.

### 32 Work programme

The committee received the Joint Audit and Governance work programme and the democratic services officer informed members about the items that were scheduled to come to the next committee meeting, on 30 January 2024, and for the other meetings in the remainder of the municipal year 2023/24.

The committee discussed potential items for inclusion in the work programme and members noted a recommendation in a training session for the committee to discuss their terms of reference. In response, the head of finance agreed to ask the head of legal and democratic about when would be the best opportunity for this item to come to committee.

Also, on the recommendation for the production of an annual report from the committee to the respective councils, the head of finance agreed that this would be beneficial and proposed that the item would come to the July Joint Audit and Governance Committee meeting.

Finally, members asked about the meeting schedule for the committee and if there were enough meetings to cover the business to be transacted. Due to the size of the work programme, they agreed that officers should plan ahead based of the expected workload to see when an additional meeting would be appropriate, and that this discussion could be part of the committee discussion about their terms of reference.

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

The meeting closed at 8.15 pm

Chair

Date

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