

Minutes of a meeting of the Audit and Governance Committee on Thursday 27 January 2022



Committee members present:

Councillor Fry (Chair)

Councillor Corais

Councillor Roz Smith

Officers present for all or part of the meeting:

Nigel Kennedy, Head of Financial Services

Alice Courtney, Committee and Member Services Officer

Also present:

Councillor Chewe Munkonge (remote attendance, non-voting)

Councillor Nigel Chapman (remote attendance, non-voting)

Councillor Dr Amar Latif (remote attendance, non-voting)

Bill Lewis, Financial Accounting Manager (remote attendance)

Greg Rubins, BDO

Adrian Balmer (External Auditor), EY (remote attendance)

Maria Grindley (External Auditor), EY (remote attendance)

Emma Griffiths, Lawyer (remote attendance)

Helen Bishop, Head of Business Improvement (remote attendance)

Apologies:

No apologies were received

27. Declarations of Interest

There were no declarations of interest.

28. Internal Audit Progress Report January 2022

Greg Rubins, Internal Auditor (BDO) introduced the report, highlighting that:

- Two reports had been finalised – General Ledger and Insurance.
- The planned Community Strategy and Cyber Security audits had been deferred to next year to fit in with when the Council's own plans and strategies would be ready.
- The main issue included in the General Ledger report related to the QL system and a plan was in place to fix the issue.

In response to questions, the Head of Financial Services advised that there were two key milestones related to the QL system:

- Steady state – where all processes were in place, but operated with additional processes (known as workarounds) and resources to keep the system going. It was expected to reach ‘steady state’ by the end of February, at which point full financial information for ODS and the Council would be available.
- Business as usual – where the system was being used as intended, with all workarounds removed. It was unlikely that this stage would be reached until the end of May.

The Head of Financial Services assured the Committee that he was confident those targets would be met and confirmed that the additional resource required in the steady state stage was in the region of £200,000 over the last 12-month period. He confirmed that the QL system implementation was not seen as a major risk at the time, but that an external review of the implementation would be undertaken and the results presented to the Committee.

In response to questions, Bill Lewis, Financial Accounting Manager advised that the Council planned to (internally) close and draft the accounts in line with the previous 31 July timescale, but following the Redmond Review that external audit dates would be pushed out closer to the revised November date as the primary reason for the Government changes was the pressure/resourcing issues related to external audit. It was confirmed that the allocation of the additional £45m Government funding for external audit nationally was unknown.

Cllr Amar Latif joined the meeting.

In reference to the information on the Omicron grant boost contained in the report, the Head of Financial Services explained that the Council received a £300,000 boost to its Additional Restrictions Grant (ARG) and an estimated £2.8m through the Omicron Variant Grant, which was required to be paid out to around 800 businesses by 31 March 2022. He advised that the Council had written to BEIS and the LGA highlighting concerns about the tight timescales for grant payment and that since the inception of the business grants in 2020, the Council’s fraud team had staved off around £17.5m of grant payment in fraudulent claims, involving around 2,700 claims made to the Council – which demonstrated that taking time to pay the grants and do due diligence had proved beneficial.

Responding to a question about penalties for the Council failing to disperse all of the grant money within the specified timescales, the Head of Financial Services advised that if businesses had not applied by 18 March 2022, with all the due diligence the Council needed to do this would mean that those businesses would not be eligible for the grant – as it was important that the due diligence was done to ensure the grant was paid to the right businesses, which took time.

In response to a question, the Head of Financial Services advised that councils nationally still had £250m unspent ARG funding due to the similarly tight timescales conflicting with the need for due diligence in order to protect the public purse.

The Committee:

- **Noted the contents of the report.**
- **Requested that the findings of the external review of the QL system implementation be presented at a future meeting.**
- **Noted concern about the Government’s tight timescales for the payment of the Omicron Variant Grant and that with proper care the fraud team can save the Government an awful lot of money.**

- **Noted that it would like the Government to give serious consideration to a more realistic deadline for payment of grants to allow for appropriate due diligence.**

29. Internal Audit Follow Up Report January 2022

Greg Rubins, Internal Auditor (BDO) introduced the report, raising concerns that there were three recommendations to pick up which were all related to the Companies Oversight report produced in August of last year. He said that the recommendations now had revised dates. The commentary highlighted that there had been some action on the recommendations, but not enough to close them down.

In response to questions, Helen Bishop, Head of Business Improvement apologised that the actions had not been completed. She highlighted that the process of updating the job descriptions was quite simple once she had all of the information and then it was a case of consulting with post holders and publishing the changes. She said that the team was currently trying to collate the specific information that needed to be included in the job descriptions. The Committee was assured that this piece of work would be completed by 1 March 2022 and it would be able to note that at its next meeting in April.

The Committee highlighted that the job descriptions work was important to ensure Councillors and officers had clarity on the roles officers were performing in various company meetings.

The Head of Business Improvement left the meeting and did not return.

The Committee noted the contents of the report and the revised deadlines for completion of the three recommendations.

30. Setting of the Council Tax Base 2022-23

Bill Lewis, Financial Accounting Manager introduced the report which asked the Committee to consider and approve the Council Tax Base for 2022-23. He advised there was a reduction in the Council Tax Base compared to 2021-22 and a breakdown of the reasons for this was available in paragraph 12 of the report. Key areas of impact were the level of exemptions and the Council Tax Support caseload. The Financial Accounting Manager advised that the increase in the number of properties had been negated by the number of student dwellings, as outlined in paragraphs 6 and 9 of the report.

In response to questions, the Committee was advised that:

- It was likely Band H dwellings were where people received an exemption for living alone, rather than being student dwellings.
- The student exemption had the biggest impact on the Council Tax Base and those dwellings tended to be in the lower bandings.
- Legislation set out the maximum percentage premium and when it could be applied to long-term empty properties. There were currently 82 properties on 100% premium (empty for 2 years or over), 18 properties on 200% premium (empty for 5 years or over) and 9 properties on 300% premium (empty for 10 years or over).
- The Council's Empty Property Officer frequently contacted the owners of empty properties and responses were mixed.

- The Council benefitted from the Government’s New Homes Bonus, aimed at new properties and returning empty properties back into use, which would continue for 2022/23.
- The Council had instigated Compulsory Purchase Orders on a handful of occasions, but the process was not straightforward as the Council had to find the money to instigate them and the empty properties usually had difficult circumstances surrounding them.
- It was felt that the estimated 2% non-collection rate was realistic for the coming year.

The Committee requested a confidential report for its next meeting on the properties which had been empty for 10 years or over in order to understand the circumstances surrounding them and whether the Council could be more aggressive in pushing Compulsory Purchase. The Head of Financial Services agreed to include the Council Tax collection rate on empty properties within the report.

In response to comments, the Financial Accounting Manager corrected that the last sentence of paragraph 11 of the report should have stated that there were no new dwellings in the parished areas of the City over the next 12 months.

The Committee resolved to agree:

1. That the 2022/23 Council Tax Base for the City Council’s area as a whole is set at 45,193.2 (as shown in Appendix 1 of the report).
2. That the projected level of collection is set at 98%.
3. That the tax bases for the Parishes, and for the Unparished Area of the City (as shown in Appendix 2 of the report) be set as follows:

Unparished Area of the City	37,645.9
Littlemore Parish	1,818.4
Old Marston Parish	1,273.0
Risinghurst & Sandhills Parish	1,547.5
Blackbird Leys Parish	2,908.4
City Council Total	45,193.2

31. Risk Management Reporting as at 31 December 2021

Bill Lewis, Financial Accounting Manager introduced the report, highlighting that the number of Red risks on the Corporate Risk Register had remained at three and the number of Red risks on the Service Risk Registers had reduced to six. He added that the level of control the Council had over risks was varied as there were areas where it had more limited control, such as local government reorganisation, the negative impacts of climate change and terrorism – but that there were measures in place to influence and mitigate risk.

The Committee asked whether it was possible to distinguish between risks that the Council could and could not control. It was explained that removing risks that the Council could not control risked them becoming a lower priority and in some cases there were mitigations that could be implemented locally despite the fact that they would not influence the national picture. The Financial Accounting Manager agreed to indicate those risks which the Council had more and less control over in future reports.

The Committee noted the importance of registering external risks that were outside the Council's control, but agreed the focus on external risks should be whether Council policies and strategies were working to mitigate risk.

The Committee noted the contents of the report.

32. Statement of Accounts 2020-21

Bill Lewis, Financial Accounting Manager provided a verbal update on the Statement of Accounts audit process. He explained that the conditions for a number of Government grants received by the Council in 2020 were mostly poor, non-existent or incomplete. This was problematic due to different accounting treatment depending on whether grants were principal or agent. Principal meant the Council could decide how the money was spent and this was accounted for in revenue. Agent meant that spend was predefined and was accounted for on the balance sheet.

The Financial Accounting Manager said that the external auditor had undertaken a national review of the grants to develop a consistent accounting methodology for its clients. The Council had worked with the external auditor in relation to its grants, which resulted in a £43m adjustment to come out of the income and expenditure statement into the balance sheet. This changed materiality by approximately 20% of its original value and increased the required sample size by over 100. The Council and external auditor were currently working through the additional audits, which were expected to be completed in the next few weeks.

The Committee was assured that there was no overall impact on the Council's revenue position in the Accounts, but the process of reviewing and reallocating the grants had generated a lot of work. Adrian Balmer, External Auditor (EY) advised that the same issue was replicated in a large number of other local authorities and meant that many councils' 2020-21 Accounts were not yet certified.

In response to questions, the External Auditor confirmed that there was still a delay with the consolidation of company accounts with the Council accounts for group accounts purposes, but the delay related to the Government grants had made it less prominent. It was added that better alignment of audit timings between EY and Mazars was being explored.

The Committee reconfirmed its decision taken on 20 October 2021 to authorise the Chair to sign the Accounts on behalf of the Committee ahead of the next meeting, as it agreed there were no net material changes.

The Head of Financial Services added that he would look at setting some training up for the Committee.

The Committee resolved to:

- 1. Note the verbal update on the Statement of Accounts audit process.**
- 2. Authorise the Chair of the Committee to sign the Accounts, as it agreed there were no net material changes.**

33. Minutes of the previous meeting

The Committee agreed to approve the minutes of the meeting held on 20 October 2021 as a true and accurate record.

34. Dates and times of meetings

The Committee noted the dates and times of future meetings.

The meeting started at 6.10 pm and ended at 7.11 pm

Chair

Date: Monday 11 April 2022

When decisions take effect:

Cabinet: after the call-in and review period has expired

Planning Committees: after the call-in and review period has expired and the formal decision notice is issued

All other committees: immediately.

Details are in the Council's Constitution.