

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Friday, 26 January 2018 at 9.30 a.m.

PRESENT: Councillor Andrew Fraser – Chairman

Councillors:	John Batchelor	Graham Cone
	Christopher Cross	Roger Hall
	Douglas de Lacey	Ray Manning
	Tony Orgee	John Williams

Officers:	Patrick Adams	Senior Democratic Services Officer
	Alex Colyer	Executive Director (Corporate Services)
	Rory McKenna	Principal Lawyer & Deputy Monitoring Officer
	Caroline Ryba	Head of Finance
	Martin Yates	Interim Chief Accountant

Auditors:	Suresh Patel	Ernst & Young
	Tony Poynton	Ernst & Young
	Jonathan Tully	Head of Shared Internal Audit

1. APOLOGIES FOR ABSENCE

Councillor Grenville Chamberlain gave his apologies for this meeting. Councillor Ray Manning was acting as his substitute.

The Chairman welcomed Martin Yates, Interim Chief Accountant and Jonathan Tully, Internal Auditor to their first meeting.

2. DECLARATIONS OF INTEREST

Councillor Andrew Fraser declared a non-pecuniary interest in agenda item 7 as a Director of Ermine Street Housing Ltd.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 29 September 2017 were signed as a correct record, subject to the removal of Councillor Grenville Chamberlain in the list of attendees.

4. EXTERNAL AUDIT: GRANT CERTIFICATION REPORT FOR 2016-17

Tony Poynton, External Auditor, presented this report on the certification and other assurance work carried out by External Audit for 2016-17.

Housing benefits subsidy claim

Tony Poynton explained that there had been an increase in the level of extended testing. A typographical error made by the Council had resulted in an increase of the subsidy claim submitted to the Department for Work and Pensions by £135,000. This had been accepted by the Council and the auditors were unconcerned.

Indicative audit fees

In response to questioning Tony Poynton explained that the indicative fee for 2017/18 of £24,043 was set by the Public Sector Audit Appointments Ltd, not by Ernst & Young, and was based on the final fees for 2015/16. This represented a substantial increase on the

actual fee of £13,793 for the 2016/17 accounts and was only likely to prove accurate if the External Auditors were required to carry out more testing than expected.

Changes in certification of accounts in 2018/19

It was noted that for the 2018/19 accounts the Council would be required to appoint their own reporting accountant for the certification of the housing benefit subsidy claim. Ernst & Young were prepared to carry out this work on behalf of the Council.

Tony Poynton reported his thanks to Dawn Graham and her team for their support and co-operation in the carrying out of this work for the 2016/17 accounts.

The Committee **NOTED** the report.

5. ACHIEVEMENT OF STATUTORY ACCOUNTS DEADLINE 2017-18

The Interim Chief Accountant presented this report, which informed the Committee of the Council's plans to achieve the statutory accounts deadline of 31 July 2018 for the signing of the 2017/18 accounts. He provided details of the arrangements that were being put in place to mitigate the risk of not meeting the deadline.

Accountancy staff

The Interim Chief Accountant explained that the Council would recruit a new Principal Accountant in mid-February, whilst the current Interim Principal Accountant would remain in post to allow a handover.

Improved communication

The Interim Chief Accountant explained that regular team meetings would be held for accountancy staff to ensure that targets would be met and Ernst & Young would be provided with a single point of contact. It was understood that a missed deadline by the Council could result in longer delays as the External Auditors would have to re-arrange the visits for their staff. Suresh Patel explained that the schedule was challenging, but the workshop arranged for 8 June to review the draft accounts helped to mitigate the risk. The Head of Finance added that constant monitoring of progress against the targets set in the timetable would also mitigate the risk. An online portal had been developed to assist the process.

New Financial Management System

The Head of Finance explained that the new Financial Management System would be rigorously tested before it was implemented. The scheduled implementation date was April 2018, so the data on the existing system would be used for the 2017/18 accounts.

It was noted that whilst the deadline for the downloading of Month 9 Financial Data to Ernst & Young Portal for Interim Audit had not been met, this was not seen as significant.

The Committee **NOTED** the report.

The Chairman explained that this was Tony Poynton's last meeting as one of the Council's External Auditors and he thanked Tony for the work that he had carried out. Tony was being replaced by Kay McClennon.

6. STATEMENT OF ACCOUNTS 2016-17 UPDATE

Suresh Patel explained that following further investigation the anomalies regarding the value of assets did not materially affect the accounts.

Minor amendments

The Committee noted the following suggested amendments:

- In the penultimate paragraph of the letter of representation the word “disclosure” should read “disclosed”.
- The supplementary agenda items should have been numbered “6a”, “6b” etc. and not “1”, “2”.
- The colour copying of agendas should be kept to a minimum.

Cost of revaluing housing assets

In response to questioning regarding the extra costs generated through the re-evaluation of the Council’s housing assets, Suresh Patel explained that the engagement of in-house experts to value these housing assets was standard practice within the industry when it came to investigating anomalies and the work had resulted in the Council changing the way in which it values its housing assets.

Delay in signing-off the accounts

Concern was expressed at the 15 week delay between September’s Committee delegating authority for the signing of the accounts, to the accounts actually being signed off. Suresh Patel explained that there had been anomalies regarding the valuation of the housing assets, which had required extra work by the valuation team.

It was hoped that work had been carried out to ensure that these problems were not repeated with the 2017/18 accounts.

The Committee **NOTED** the report.

7. TREASURY MANAGEMENT ANNUAL REPORT 2016-17

The Head of Finance introduced this report on the Council’s treasury management performance for the year 1 April 2016 to 31 March 2017, by explaining that investments had achieved over £600,000 more than estimated due to higher balance levels and longer periods of investment, predominantly with South Cambs Limited. In response to questioning the Executive Director explained that the Council had achieved higher than expected interest on the funds loaned to South Cambs Limited. The risk was that there could be a sudden change in the financial markets which would make the Council’s investment in South Cambs Limited less competitive.

The Committee **NOTED** the report.

8. MATTERS OF TOPICAL INTEREST**Annual Governance Statement**

The Executive Director asked the Committee for its opinion on the style and layout of the Annual Governance Statement. It was noted that three years ago the Committee had asked for the Annual Governance Statement to be displayed in plain English that was accessible to a lay person. The Committee supported the continuation of this practice. The Committee asked the Senior Democratic Services Officer to arrange a workshop for the Committee to discuss the format of future Annual Governance Statements.

Regulation of Investigatory Powers Act (RIPA)

The Principal Lawyer – Governance and Deputy Monitoring Officer explained that the Council had not used its RIPA powers since the last meeting and so there had been no formal report submitted to the Committee.

9. DATE OF NEXT MEETING

The Committee **AGREED** the date of its next meeting on Thursday 22 March at 9:30am in the Monkfield Room.

The Meeting ended at 10.30 a.m.
