

## **SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

Minutes of a meeting of the Corporate Governance Committee held on  
Friday, 23 October 2009 at 2.00 p.m.

|              |                                                                                 |                                                                                                                                                                |
|--------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PRESENT:     | Councillor Peter Topping – Chairman<br>Councillor Nigel Bolitho – Vice-Chairman |                                                                                                                                                                |
| Councillors: | John Batchelor<br>Richard Summerfield                                           | Douglas de Lacey                                                                                                                                               |
| Officers:    | Adrian Burns<br>Greg Harlock<br>Fiona McMillan<br>Richard May<br>Alex Colyer    | Head of Accountancy<br>Chief Executive<br>Senior Lawyer and Deputy Monitoring Officer<br>Democratic Services Manager<br>Executive Director, Corporate Services |
| External:    | Neil Gibson<br>Chris Harris<br>Debbie Hanson<br>Allan Maund                     | Audit Commission<br>RSM Bentley Jennison<br>Audit Commission<br>RSM Bentley Jennison                                                                           |

Councillors Simon Edwards, Ray Manning and Nick Wright were in attendance, by invitation.

Apologies for absence were received from Councillors Francis Burkitt and Janice Guest.

### **17. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **18. MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting held on 29 June 2009 were approved as a correct record for signing by the Chairman, subject to a reference to 'peak oil' being inserted as part of Minute 13 (Strategic Risk Register) in place on 'neat oil'.

In respect of the review of network security, referred to under Minute 5, the Committee was advised that this item would be considered at the next meeting in December 2009.

### **19. INTERNAL AUDIT QUARTERLY REPORT FOR PERIOD ENDING 30 SEPTEMBER 2009**

The Committee considered the Internal Audit Quarterly report for the period ending 30 September 2009, summarising the outcome of work completed against the annual audit plan.

Chris Harris (Bentley Jennison) presented the report, drawing the Committee's attention to the schedule of final reports issued since the last meeting, and to reports in respect of the ICT Review, General Ledger, Capital Expenditure and Asset Management, which were currently at the draft stage.

Members of the Committee and other Members present asked questions and made comments on the following issues arising from the report and appendices:

**Housing Futures** – This issue had been included in the original plan; the reallocation of

time to other work areas following the conclusion of the project would be subject to discussions with the Chief Executive and Executive Director (Corporate Services) (EDCS).

**Anti Money Laundering Policy** – The Committee agreed with the Council's response that, given that no large amounts of cash were received, the priority was not 'Fundamental' and there were no proposals to widen the scope of the policy.

**Security** – The EDCS was requested to reinforce the message that this area related to the security of premises not individuals, through discussions with the Facilities Manager.

The Committee expressed concern at recommendations within the appendix for which there were no responses by the Council and felt that every effort should be made to provide timely responses for inclusion in future reports.

The Committee **NOTED** the report.

## 20. EXTERNAL AUDIT REPORTS - ANNUAL GOVERNANCE REPORT

The Committee received the District Auditor's Annual Governance Report (AGR).

Alex Colyer, Executive Director (Corporate Services) (EDCS) introduced the report and recommendations, advising that the Audit of the Council's accounts had highlighted some discrepancies in the way housing assets had been recorded between the various housing databases. The discrepancies existed in previous year's accounts, but had not been identified by the previous auditors. The EDCS drew the meeting's attention to a revised Appendix 2, tabled at the meeting, providing figures for the adjusted accounts to replace the pro forma set out at page 21 of the AGR. The Committee was advised that recommendation 10(c) should be altered to make clear that the final Statement of Accounts should incorporate these changes.

Debbie Hanson (DH), District Auditor, introduced the key elements of the AGR as follows:

**Key messages** – The financial statements submitted for audit were complete; however, they had contained a number of material errors requiring attention. Subject to the outstanding matters being addressed, an audit report would be issued including an unqualified opinion on the financial statements. The draft audit report was set out as Appendix 1 to the AGR.

The meeting was advised that, as a result of the additional work undertaken, described in paragraphs 7-10 of the report, an additional fee would be levied over and above the level of £8,521 notified to the Chief Executive in June 2009. DH advised that the total amount, incorporating the above amount, was likely to be in the region of £20-30,000.

DH drew the meeting's attention to the next steps identified on page 7 of the AGR; the EDCS stated that these matters had been taken into account in the recommendations to the Committee, set out in his covering report.

### Financial Statements

Neil Gibson (District Auditor) introduced the Financial Statements set out on pages 8-14 of the AGR. This section set out details of the material disclosure errors identified within the financial statements along with recommendations to address them. The non-trivial errors which had been amended related to the following matters:

- Revaluation Reserve: Opening balance overstated by some £3.424 million following a failure to allocate the Major Repairs Allowance and capital expenditure to beacon groupings during 2007/08.
- Failure to reconcile the fixed asset register, housing maintenance database and

housing rents database.

- Incorrect classification on block garages in the Balance Sheet as Council dwellings rather than land and buildings;
- The Fixed Asset register not meeting good practice guidelines, and including assets which were fully depreciated. The Committee was advised that the introduction of International Financial Reporting Standards (IFRS) would add requirements for fixed asset registers. Members requested a report summarising the key implications of IFRS at a future meeting.

The non-trivial error which management had decided not to amend related to the valuation of the Pension Fund assets, which had been understated by £0.536 million. Following a short debate, the Committee agreed to support the management position on the grounds that the error, whilst non-trivial within auditing definitions, was not material as it had no significant effects on the Council's resources and overall financial position. It was deemed that the drawbacks from making the adjustment in terms of extra work and the consequential effects on the rest of the accounts outweighed any advantage in making the adjustment. This rationale should be included in the Letter of Representation, as requested by the District Auditor.

### **Use of Resources**

The Committee was advised that the Council had achieved an overall score of 2 out of 4 for its use of resources. This represented a reduction from the previous year's score of 3; however, the revised assessment regime for 2008-09 was tougher as it focussed on outcomes rather than basic evidence of compliance.

Members gave detailed consideration to the key findings and conclusions set out in Appendix Five to the AGR, welcoming the clarity with which the information had been presented. Specific concerns were raised in respect of the auditor's comment that the Medium Term Financial Strategy did not adequately address the underlying budget deficit. DH advised that this view had been put forward in the wider context of the assessment as whole, though she would be happy to provide specific feedback on this point. She emphasised that the Council's score of 2 in this area represented an 'adequate' score which would not be qualified.

In commenting on the findings and areas for improvement identified under each Key Line of Enquiry, the EDCS advised that the Council, given its financial position, would have to be realistic in terms of prioritising the areas in which the measures required to achieve outcomes at Level 3 of the assessment could be implemented. DH stated that the assessment response had indicated areas for improvement rather than binding recommendations for action with this in mind; nevertheless, future assessments would continue to highlight areas for improvement which had not been addressed, even if they had been assigned a low priority by the Council.

The Committee considered the action plan set out at Appendix 6 of the AGR and containing recommendations arising from it. The EDCS referred Members to recommendation 10(f) within the covering report, which proposed that the Council prepare a plan containing responses to the auditors' recommendations, for consideration at the next meeting. Concern was expressed that, with one exception, all of the recommendations had been identified as high priorities; the EDCS acknowledged this fact but advised that many of the actions would be complete by the next meeting, therefore little attention needed to be paid to be the prioritisation set out in the Appendix.

The Committee **RESOLVED**

- (a) That the contents of the Annual Governance Report be noted,
- (b) That the Executive Director (Corporate Services) be authorised to issue a

Letter of Representation as requested at Appendix 4 to the Annual Governance Report, the letter to set out the Committee's decision **not to amend the estimated figure for pension assets following the actual figure becoming available after the accounts had been approved at the end of June 2009**, identified in Appendix 3 to the report, including reasons as set out in the preamble above, the final letter to be circulated to Members of the Committee for information,

- (c) That the Chairman of the Committee and the Executive Director (Corporate Services) be authorised to approve a final Statement of Accounts for publication, incorporating the adjusted amendments set out in Appendix 2 to the report,
- (d) That the Leader of Council and the Chief Executive be invited to re-sign the Annual Governance Statement within the accounts, following revision to cover the issues raised within the audit,
- (e) That the revised accounts be presented to the next meeting,
- (f) That any proposed responses to the Action Plan as set out at Appendix 6 to the Annual Governance Report be considered at the next meeting, and
- (g) That a report by the external auditors be submitted to a future meeting regarding amendments to Financial Reporting Standards.

## 21. ANTI-THEFT, FRAUD AND CORRUPTION POLICY

The Committee considered a report setting out proposed revisions to the Anti-Theft, Fraud and Corruption Policy. Members welcomed the ongoing review of the document, noted the proposed changes and their later submission for formal Member approval.

## 22. PENSION FUND

The Chief Executive introduced this item, advising that information regarding the pension fund had been requested by Councillor Burkitt at a previous meeting. Given Councillor Burkitt's absence, the Committee agreed that the report be **DEFERRED** to the next meeting.

## 23. STRATEGIC RISK REGISTER

The Committee considered a report providing quarterly reviews of the strategic risk register, action plans to address risks above the tolerance line, and those to achieve risk management targets.

It was considered that there were additional risks relevant to the Making Cambridgeshire Count project relating to accountability for future pooled budgets.

The Committee agreed to **DEFER** detailed consideration of the strategic risk register to the next meeting, at which the review of the Risk Management Strategy would also be brought forward ahead of the timescale envisaged in paragraph 3 of the report.

## 24. MATTERS OF TOPICAL INTEREST

Debbie Hanson, District Auditor, drew the meeting's attention to a publication entitled 'Protecting the Public Purse'. It was **AGREED** that copies of this publication should be circulated to the Chairman of the Committee and Executive Director for Corporate

Services for information.

**25. DATE OF NEXT MEETING**

It was **AGREED** that the next meeting take place on 23 December 2009 at 10.00am, with a briefing for Members of the Committee to take place at 9.30am.

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**The Meeting ended at 4.25 p.m.**

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