

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on  
Friday, 23 March 2012 at 9.00 a.m.

PRESENT:	Councillor Francis Burkitt – Chairman Councillor David McCraith – Vice-Chairman	
Councillors:	Richard Barrett Douglas de Lacey	John Batchelor John Williams
Officers:	Patrick Adams Adrian Burns Alex Colyer Fiona McMillan  Sally Smart	Senior Democratic Services Officer Head of Accountancy Executive Director, Corporate Services Legal & Democratic Services Manager and Monitoring Officer Principal Accountant Financial & Systems
External:	Neil Gibson Paul King Daniel Harris Suzanne Lane	Audit Commission Audit Commission RSM Tenon RSM Tenon

### 33. DECLARATIONS OF INTEREST

Councillor John Batchelor declared a personal but not prejudicial interest in the External Audit Plan as a member of the Cambridgeshire County Council's Pensions Committee and member of the pension scheme. He also declared a personal but not prejudicial interest in the same item as a member of the Cambridgeshire Police Authority. Notwithstanding these interests Councillor Bachelor remained in the room and participated in the discussion.

### 34. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 16 December were agreed as a correct record, subject to the amendment of the first bullet point under minute 28 "Plain English Accounts", which was divided into three bullet points:

- A different font
- A5 paper
- Photographs

### 35. INTERNAL AUDIT UPDATE

Dan Harris of RSM Tenon introduced this report, which summarised the outcome of work completed to date against the internal audit plan for 2011/12. He highlighted paragraph 3.2 of the report, which stated that no work had been identified that would impact negatively on this year's annual opinion.

The Committee welcomed the report and concluded that the number of recommendations reflected that the internal auditors were performing their duties well and should not be taken to be a criticism of the authority.

The Committee **NOTED** the report.

## 36. INTERNAL AUDIT PLAN

Dan Harris from RSM Tenon presented the Audit Plan, which set out Internal Audit's three year strategy and a more detailed plan for 2012/13.

### **Planning growth**

It was agreed that the audit on planning growth needed to consider the possible impact of the Localism Act that could allow residents to block development that they were opposed to. It was agreed that something to this effect should be included in the overview of this audit, as described in the Audit Plan.

### **Repairs Partnership Arrangements**

Dan Harris explained that the new repairs contract with Mears would be subject to a more detailed internal audit than an older contract. It was noted that as the audit would be carried out in April/May it would be too soon to review performance and so the audit would focus on the adequacy, accuracy and timeliness of reporting.

### **Corporate governance**

It was accepted that it was good practice to audit the Council's corporate governance arrangements once a year, although the exact areas to be covered had not yet been agreed as there were no obvious areas of concern.

### **Safeguarding**

It was noted that the review on Safeguarding was not annual and that the Source/Rationale for this needed to be amended.

The Committee **ENDORSED** the Internal Audit Plan.

## 37. EXTERNAL AUDIT UPDATE

Paul King presented this report which updated the Committee on the recent work of the Council's external auditors and the contracting out of the external audit service to Ernst & Young.

### **Minor amendment**

It was noted that a minor amendment was required to the third bullet point on page 7 of the report (page 39 of the agenda). The sentence should end "... housing revenue subsidy." Instead of "... housing revenue account."

### **New external auditors**

It was noted that the Government had awarded the contract for the external audit of public bodies in this region for the next five years to Ernst & Young. The new contract would come into effect on 31 October 2012. It was understood that unless there was a clear conflict of interest the Council had to accept Ernst & Young as its External Auditors. As was usual in these cases, the onus would be on Ernst & Young to identify any conflicts of interest through being the Council's auditors. Concerns were raised by members of the Committee with regard to possible conflicts of interest through the Council's partnership working with health organisations and those organisations that had contracts with the Council.

### **Transfer of auditors**

Paul King explained that whilst he and Neil Gibson would be TUPE transferred over to Ernst & Young and would continue as the Council's external auditors, they would ensure that work to be carried out by the Audit Commission, such as the audit of housing and council tax benefit, would be completed before the transfer, so as to mark a clean break

between the engagement of the two auditors. It was suggested that only a representative of Ernst & Young could assure the Committee that the current level of service would continue.

#### **Audit fees**

The Council had not yet been informed what Ernst & Young's audit fees would be but a press release from the Audit Commission had stated that there would be "an expected £250 million (or 40 per cent) reduction in audit fees".

#### **Meeting with Ernst & Young**

It was noted that Ernst & Young were inviting their new clients to a meeting on 14 May 2012. It was suggested that the Council should have a representative at this meeting although it was also noted that no official invitation had yet been received.

It was agreed that the Committee should have an opportunity to speak to representatives of Ernst & Young to discuss:

- Whether they had any conflicts of interest by being the Council's auditors.
- Whether the service currently provided by the Audit Commission would continue.
- What their fees would be.

The Committee **AGREED** to invite representatives of Ernst & Young to the next meeting of the Committee.

### **38. EXTERNAL AUDIT PLAN 2011/12**

Paul King from the Audit Commission presented this report on the External Audit Plan, which set out the work for the 2011/12 Audit.

#### **Housing Revenue Account (HRA) reform**

Paul King explained that the impact of the Government's reform of local authority housing finance had been assessed as a significant risk, as the Council were taking on approximately £205 million worth of debt and there was a lack of clarity from the Government over the detailed aspects of the reform.

#### **Audit fee**

It was noted that external audit's fee of £114,000 represented a 5% reduction on the fee for 2010/11. In addition to this the Audit Commission gave all authorities a rebate on their fees due to efficiency savings. The Council's rebate was £9,120. It was noted that the Government were expecting a further reduction in the external audit fees of all councils by awarding regional contracts.

#### **New external auditors**

Paul King explained that the Annual Audit Letter would be completed in October this year, which was a month earlier than usual. This was to ensure that the current auditors would complete their work for the Audit Commission before they transferred over to Ernst & Young. The prospect of Paul King and Neil Gibson continuing as the Council's auditors was welcomed by the Committee.

The Committee **ENDORSED** the Audit Plan.

### **39. ANNUAL REVIEW OF THE RISK MANAGEMENT STRATEGY**

The Executive Director (Corporate Services) presented this report which invited the Committee to review the Council's Risk Management Strategy, make any amendments

and then recommend it to Council. It was noted that recommendations had been made in Internal Audit's risk maturity review, the majority of which had been accepted.

An alternative method of assessing risk likelihood and impact as detailed in appendix C was considered and rejected on the grounds that it would be too difficult to quantify a risk's impact and its likelihood under this method.

The Corporate Governance Committee

**RECOMMENDED TO COUNCIL** The Draft Risk Management Strategy as detailed in appendix B of the report.

#### 40. STRATEGIC RISK REGISTER

The Executive Director (Corporate Services) introduced this report, which invited the Committee to consider whether the Council's risk register was being properly monitored.

The Chairman reminded the Committee that its purpose was to examine the risk monitoring process and not whether each individual risk had been properly scored. It was noted that comments could be made on whether individual risks had been properly assessed at the meeting of Council on 26 April 2012.

The Committee **NOTED** the report.

#### 41. MATTERS OF TOPICAL INTEREST

##### **Actions from meeting of 16 December 2011**

It was noted that a letter had been sent to the Office of Surveillance Commissioners regarding the implementation of their recommendations, as discussed at the previous meeting.

It was noted that Councillor John Batchelor was due to meet with the Executive Director (Corporate Services) regarding the Local Government Pension Scheme and its implications for the Council.

It was noted that a guide on the Localism Act had been included in a recent Weekly Bulletin.

##### **Cost reductions**

It was agreed that wherever possible agendas should not be printed in colour and on thinner paper for reasons of cost.

##### **Annual Governance Statement**

The Legal and Democratic Services Manager explained that the draft Annual Governance Statement would be going to EMT shortly and then would be circulated to the Committee by e-mail.

#### 42. DATE OF NEXT MEETING

The Committee **NOTED** that it would be meeting on the following dates, all at 9am:

- Friday 29 June 2012
- Friday 28 September 2012
- Friday 14 December 2012
- Friday 22 March 2013

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**The Meeting ended at 10.20 a.m.**

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