

## **SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

Minutes of a meeting of the Corporate Governance Committee held on  
Wednesday, 31 March 2010 at 9.30 a.m.

PRESENT:	Councillor Peter Topping – Chairman Councillor Nigel Bolitho – Vice-Chairman	
Councillors:	John Batchelor Douglas de Lacey	Francis Burkitt Richard Summerfield
Officers:	Patrick Adams Adrian Burns Alex Colyer Greg Harlock Paul Howes  Fiona McMillan  Steve Rayment	Senior Democratic Services Officer Head of Accountancy Executive Director, Corporate Services Chief Executive Corporate Manager, Community and Customer Services Acting Legal & Democratic Services Manager and Deputy Monitoring Officer Head of ICT
External:	Neil Gibson Chris Harris Suzanne Lane	Audit Commission RSM Tenon RSM Tenon

Apologies for absence were received from Councillor David McCraith.

### **36. DECLARATIONS OF INTEREST**

Councillor Richard Summerfield declared a personal interest in the item on the Use of Resources Improvement Plan, as a member of the Scrutiny and Overview Committee's Finance Task and Finish Group.

### **37. MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 9 February 2010 were agreed as a correct record, subject to the inclusion of Paul Howes, Corporate Manager for Community and Customer Services in the list of those present and the amendment of "thee" to "the" in the first sentence of the fourth paragraph of page 3.

Amendments proposed by Stewart MacAskill of the Audit Commission circulated at the meeting were unanimously rejected by the Committee.

### **38 (a) Internal Audit Plan (Operational Plan 2010/11 and 3 year strategic plan)**

Chris Harris of RSM Tenon presented this report that updated the Strategy for 2009/10, which the Committee had agreed in March 2009, and provided an detailed internal audit plan for 2010/11.

#### **Minor amendments**

It was noted that the Strategy had been discussed at a meeting of the Executive Management Team, but the Chief Executive had not been in attendance and so paragraph 2.1 on page 8 of the report had to be amended.

**Internal Audit fees**

Chris Harris explained that fee for 2010/11 of £79,222 was based on 260 audit days and represented a reduction of £5,000 on the previous year's fee for 270 days. He expressed the hope that the trend of reducing the number of audit days would continue. He suggested that over several years a baseline figure of 220 audit days could be reached. The Chief Executive explained that when the current Internal Auditors were awarded the contract three years ago they pledged that, all being well, they would be able to reduce the number of audit days. They had achieved this.

It was noted that there were no meaningful benchmark figures for the number of audit days for different authorities, as the instructions given to internal audit teams varied from council to council.

It was noted that the cost of the audit fees were allocated to both the General Fund and the Housing Revenue Account, depending on what was being audited.

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

**38 (b) Internal Audit Progress Report**

Chris Harris introduced this report, which summarised the outcome of work completed to date following the periodic internal audit plan for 2009/10.

It was requested that in future the additional days used by Internal Audit for Audit Management be mentioned at the bottom of the table showing the number of days allocated to the different audit areas, so that the total number of audit days can be easily calculated.

**ICT Review**

It was noted that the ICT Review was the only area of audit which had been given a limited level of assurance. Chris Harris reported that Internal Audit had made 24 recommendations, three of which had been withdrawn following an explanation from management. The Head of ICT stated that he was disappointed by the outcome of the review. He explained that the ICT Code of Connection Compliance was very significant for all Local Authorities and the ICT service had just been through a lengthy restructuring process which had taken almost two years to complete. It was noted that the issues raised in the Review were procedural matters that were now being addressed.

It was understood that Internal Audit's reports were a management tool for officers and were not usually distributed to Councillors. Chris Harris explained that these reports were confidential and should not be put in the public domain. The Committee **AGREED** to pass the matter of the Council's response to the Review to Councillor Tom Bygott, as the Policy and Performance Portfolio Holder.

It was noted that the 10 audit days, which had been allocated to the Housing Futures project, had now been allocated to the Carbon Management project.

The Committee **NOTED** the report.

**38 (c) Draft Internal Audit Annual Report for Year Ended 31 March**

Chris Harris presented this draft Annual Audit report for 2009/10, the purpose of which was to examine the processes and not the outcomes.

It was agreed, on the request of the Chief Executive, to amend the bullet points in

paragraph 2.3 to read as statements instead of questions.

Chris Harris stated this was a positive report that indicated that the Council was improving. He added that the Council's risk maturity review had been assessed as being "managed", which placed the authority in the upper quartile. However, the Chief Executive expressed concern that the number of substantial assurances had declined from 50% in 2008/09 to 35% in 2009/10. Suzanne Lane explained that different areas of the Council were audited each year, which made yearly comparisons difficult.

It was noted that the Council had been assessed as having an adequate and effective risk management control and governance processes to manage the achievement of the organisation's objectives.

The Committee received and **NOTED** the report.

### **38 (d) Presentation: International Finance Reporting Standards**

Neil Gibson gave a presentation to the Committee on the International Financial Reporting Standards (IFRS).

Following the presentation the Head of Accountancy circulated an Outline Project Plan which detailed how the Council would implement the IFRS, listing the stages and target dates. He explained that the official guidance notes were not due to be released until July this year. He concluded that the implementation of the Project Plan was dependent on having adequate staff resources following the restructuring of the Accountancy section.

It was understood that parish and town councils would not have to comply with these new standards.

It was agreed that the Committee should recognise the extra work these obligatory changes were putting on officers and support them where possible. It was understood that until the internal reviews were carried out it was difficult to ascertain exactly how much extra resources were required, although most of the work would be in the implementation of the System in its first year.

The Committee **NOTED** the report.

### **38 (e) Publication: Code of Audit Practice 2010**

The Committee **NOTED** the publication of the Code of Audit Practice 2010.

### **39. USE OF RESOURCES IMPROVEMENT PLAN**

The Executive Director for Corporate Services presented this report, which highlighted the Council's Improvement Plan in response to the areas for improvement highlighted in the Audit Commission's Annual Governance Report.

#### **Minor amendments**

The words "Executive Director Corporate Services and the Corporate Manager Community & Customer Services" were added to paragraph 4, in between the words "The" and "have".

The Corporate Manager Community & Customer Services amended the completion date for the following area for improvement: "1.2.3 Outcomes for initiatives are not always clearly defined at the onset", from March to September 2010.

The Chief Executive asked that the area for improvement: “1.1.1 Medium term financial strategy does not adequately address the underlying budget deficit”, be amended to highlight the fact that it referred to Capital and not Revenues expenditure.

#### **Part of Value for Money assessment**

Neil Gibson of the Audit Commission explained that an assessment of the Value for Money provided by the Council was assessed as part of the authority’s overall Use of Resources evaluation.

#### **Work of the Scrutiny Committee’s Finance Task and Finish Group**

The Executive Director for Corporate Services explained that the work of the Scrutiny and Overview Committee’s Finance Task and Finish Group had helped to inform the Plan and its conclusions were being considered by officers, prior to their consideration by Cabinet.

#### **Responsibility for the Key Line of Enquiry (KLOE)**

It was noted that the Northstowe Portfolio Holder was responsible for the KLOEs and the Executive took an overview. The Committee could expect to receive periodic updates on issues of concern.

#### **Outcomes**

In response to a request for more outcomes in the Plan, it was stated that an action could be completed before any tangible outcomes were apparent.

#### **No major concerns**

It was agreed that the Use of Resources Improvement Plan listed minor issues of concern and this showed that there were no areas of the Council that required drastic improvement. It was hoped that all the areas of improvement identified in the Plan were necessary. It was noted that all the KLOEs were either of a green or amber status, with no reds.

The Committee **NOTED** the report.

## **40. ANNUAL GOVERNANCE STATEMENT 2009/10: FINAL**

The Acting Legal and Democratic Services Manager introduced this report, which sought approval of the Annual Governance Statement 2009/10, prior to the statement being signed by the Leader and the Chief Executive and being included in the statement of accounts for the year ending 31 March 2010.

#### **Minor amendments**

It was agreed that the 6 monthly meetings with parish councils should be referred to, with regard to the Council’s communication strategy. It was also noted that the Scrutiny and Overview Committee had held the majority of its meetings in 2009/10 outside the Council’s main offices and this should be included in the Statement.

It was suggested that more outcomes should be listed in the Statement, instead of focussing on the process.

The Chairman thanked the Acting Legal and Democratic Services Manager for her work in compiling the report.

The Corporate Governance Committee

**AGREED**

- (A) The following minor amendments:
- On page 137 the 6 monthly meetings with parish councils should be mentioned in the bullet point referring to ways in which the Council communicated its vision, aims and values.
  - The paragraph under the sixth bullet point on page 141 was amended to read "... an Audit Committee."
  - In the final paragraph on page 142 the word "will" was removed.
  - In the seventh paragraph on page 143, reference should be made to the fact that the Council achieved the Investors in People Standard's bronze award.
  - The final sentence of the penultimate paragraph on page 143 was amended to read "Most meetings are ..."
- (B) To give the Chairman delegated authority to make further amendments to the Statement, with particular regard to including more outcomes in the past year.

**41. RISK MANAGEMENT STRATEGY REVIEW**

The Executive Director for Corporate Services introduced this report, which invited the Committee to conduct an annual review of the Council's risk management strategy and process.

It was agreed that the Northstowe Portfolio Holder should be invited to the next meeting of the Corporate Governance Committee to discuss the risk register.

The Corporate Governance Committee

**AGREED**

- (A) The removal of the words "it can be included" from paragraph 8.4.1;
- (B) The Risk Management Strategy, as set out in Appendix B of the report, with the above amendment.

**42. STRATEGIC RISK REGISTER QUARTERLY REPORTS 2010/11**

The Chairman introduced this item, which invited the Committee to review and approve the Council's strategic risk register.

The suggestion that the implementation of the International Finance Reporting Standards be included in the Risk Register was noted, although it was understood that Register was for corporate risks that were not necessarily related to audits.

The Corporate Governance Committee

**APPROVED** The updated strategic risk register and matrix.

**43. MATTERS OF TOPICAL INTEREST**

The Committee **NOTED** the report from the Audit Commission on the Statement of Responsibilities of Auditors and of Audited Bodies.

**44. DATE OF NEXT MEETING**

The Committee

**AGREED** to hold its next meeting on Tuesday 29 June at 10am, with a pre-meeting at 9:30am.

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**The Meeting ended at 12.05 p.m.**

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