

## **SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

Minutes of a meeting of the Corporate Governance Committee held on  
Friday, 27 March 2015 at 9.00 a.m.

PRESENT:	Councillor Francis Burkitt – Chairman Councillor David McCraith – Vice-Chairman	
Councillors:	Richard Barrett Bridget Smith	Andrew Fraser John Williams
Officers:	Patrick Adams Alex Colyer Caroline Ryba	Senior Democratic Services Officer Executive Director, Corporate Services Head of Finance
External:	Rachel Brittain Steve Crabtree Mark Hodgson	Ernst & Young Shared Head of Internal Audit Ernst & Young

### **1. APOLOGIES FOR ABSENCE AND INTRODUCTIONS**

Councillors Douglas de Lacey and Peter Topping had sent their apologies.

The Chairman introduced Caroline Ryba, the new Head of Finance. The Committee noted that the post was a job share arrangement with Cambridge City Council.

The Committee said farewell to Councillor Richard Barrett, who was standing down at the next election, and thanked him for all his hard work over many years.

### **2. DECLARATIONS OF INTEREST**

None.

### **3. MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 26 September 2014 were agreed as a correct record.

### **4. INTERNAL AUDIT PROGRESS REPORT 2014/15**

Steve Crabtree, Shared Head of Internal Audit, presented this report, which detailed the progress made against the delivery of the 2014/15 Internal Audit Plan. The following matters were then discussed.

#### **Housing Company**

The Executive Director explained that he had asked Internal Audit to review the setting up of Ermine Street Housing Ltd, to ensure that the Council would put the correct governance arrangements in place. Steve Crabtree assured the Committee that if the housing company were audited now it would receive a significant assurance, instead of the limited assurance actually received.

#### **Report format**

The Executive Director explained that full details of internal reports had been shared with individual councillors on request. The Executive Director rejected the suggestion that the results of previous audits should be included in the report in an attempt to “benchmark” performance, as the scope of audits change. Steve Crabtree agreed to provide more

details in these reports in future, particularly when there were any “high” status recommendations.

### **Management response**

The Executive Director assured the Committee that if any management responses to auditors’ requests were deemed not to be adequate or timely, this would be reported to the Committee. He explained that internal audits were a management tool and he expressed the concern that publishing full reports in the agenda could lead to criticism of an individual officer’s performance. The Committee noted that all the recommendations made by the internal auditors in the report had been accepted by officers.

The Committee **NOTED** the report.

## **5. INTERNAL AUDIT PLAN 2015/16**

Steve Crabtree, Head of Internal Audit, invited the Committee to endorse the proposed Internal Audit Plan for 2015/16, along with the Audit Charter, the Internal Audit Code of Ethics and the services performance indicators.

### **Minor amendments**

The Committee agreed to amend the report to state that the Corporate Governance Committee reviewed the Code of Ethics annually. The Committee agreed that the target for the percentage of actions implemented to timescale should be an aspirational 100%.

### **Payroll**

The Committee noted that the Plan no longer included an audit of payroll, as this function was now being carried out by Cambridge City Council on behalf of this authority.

### **National Fraud Initiative(NFI)**

The Committee understood that whilst the NFI highlighted a number of cases that needed to be reviewed, further investigation usually revealed nothing untoward.

### **Project management**

The Committee noted that internal audit would be assessing whether the Council’s projects were being managed in accordance with best practice. Councillor Bridget Smith requested that internal audit look at Northstowe under its review of project management.

### **City Deal.**

The Executive Director explained that as the governance of the Greater Cambridge City Deal was this authority’s responsibility it would also be part of the Audit Plan. The Committee agreed that internal audit should report on the New Homes Bonus and the City Deal at the next meeting.

### **Choice based lettings**

The Committee understood that the Council was the lead authority for the delivery of Home Link Choice based lettings scheme and so internal audit will review the authority’s system for allocating voids. The Head of Internal Audit agreed to investigate whether 6 audit days were required to look at the process.

### **Waste and recycling**

The Committee noted that the Environmental Services Portfolio Holder was responsible for reviewing both the recent changes made to the collection rounds and the progression of the shared service arrangements with Cambridge City Council.

**Housing services' response repairs**

The Committee noted that the housing services' response repairs service, which had been contracted out, was currently being audited and a report was likely to be received at the next Committee meeting.

The Committee

**ENDORSED**

- A) The Annual Plan 2015/16;
- B) The Audit Charter;
- C) The Internal Audit Code of Ethics;
- D) The services performance indicators.

**6. EXTERNAL AUDIT PLAN 2014/15**

Mark Hodgson, External Auditor from Ernst and Young, presented this Plan which provided the Committee with details of the audit work they planned to carry out regarding the financial statements of the Council, in order to provide their audit opinion and value for money conclusion in respect of the 31 March audit year.

**Group accounts**

The Committee noted that following the setting up of Ermine Street Housing Ltd the Council would be preparing group accounts for the first time. The Committee understood that there would be an additional audit fee for the extra work and further details would be reported to the Committee once it had been agreed with the Council's management and the Audit Commission or its successor body.

**Materiality**

Mark Hodgson explained the concept of audit materiality. The Committee noted that materiality was defined as an amount large enough "to influence the users of the financial statements." Mark Hodgson explained that usually auditors would define a materiality level as somewhere between 0.5% to 2% of gross expenditure. In the case of this Council he considered that 2% would be appropriate, as the authority was considered to be a relatively low audit risk, with robust financial systems and an adequate level of reserves. Mark Hodgson would keep this level under review throughout the audit.

**Financial resilience**

Mark Hodgson explained that as the Council's external auditor, he asked: "if we look at the Medium Term Financial Strategy and ignore the planned but unidentified savings (on the basis that they might not be achieved), is the cumulative deficit at the end of the plan's period bigger than the sum of reserves?"

If it is:

- (1) That would lead to a "significant risk" in the Value-for-Money report: and
- (2) If the gap (between the cumulative deficit and the reserves) is greater than the Auditors' materiality level, that could lead to a qualification of the Financial Resilience criteria

For the Council's current Medium Term Financial Strategy, if the planned but unidentified savings are ignored, the cumulative deficit at the end of the plan period was less than the reserves, so the concerns above did not arise.

The Committee noted that following comment from officers, whilst the Council had sufficient funds in its reserves to balance the budget in the short term, extra savings of £630,000 a year had been identified as being required to balance the budget in the longer term.

The Committee **NOTED** the Plan.

**7. CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2013-14**

Mark Hodgson presented this report on the claims made by the Council for grants and subsidies from central government and other grant paying bodies.

**Housing benefits subsidy claim**

Mark Hodgson was pleased to report that no errors had been found in the testing of the detailed cases and so no “extended testing” had been required. The Committee were so impressed by this it was requested that the Chairman recommend the team responsible for the Council’s Going the Extra Mile award.

The Committee **NOTED** the report.

**8. RISK MANAGEMENT STRATEGY**

The Executive Director presented this report, which invited the Committee to carry out its annual review of the Council’s Risk Management Strategy.

The Committee

**APPROVED** the proposed revised Risk Management Strategy, as set out at Appendix A to this report.

**9. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE ON USE OF RIPA & OSC INSPECTION REPORT**

The Executive Director presented this item on the Council’s use of the Regulation of Investigatory Powers Act (RIPA) in the last two quarters and the report by the Office of Surveillance Commissioners on the use of RIPA covert surveillance following an inspection in November 2014.

The Committee noted that the Council’s fraud officers had been transferred over to the Department of Work and Pensions, who had taken over responsibility for benefit fraud. The Council remained responsible for all other fraud within the remit of the authority.

The Executive Director reported that combined training with East Cambridgeshire District Council had now taken place and that the Monitoring Officer had liaised with the Health and Environmental Services Director regarding the investigation into alleged theft from a clothes bank.

The Committee

**NOTED**

- A)** The information contained in the report about the council’s use of surveillance powers in the period October 2014 to March 2015.
- B)** The covering letter at Appendix A from the Office of the Surveillance Commissioner following an inspection on 4th November 2014 on the council’s use of RIPA.
- C)** The inspection report at Appendix B which makes one recommendation that a single inventory for technical equipment be put in place and that this recommendation has

been accepted and complied with by the Council.

**10. MATTERS OF TOPICAL INTEREST**

None.

**11. DATE OF NEXT MEETING**

It was **noted** that the next meeting will be held on Friday 26 June at 9am.

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**The Meeting ended at 10.50 a.m.**

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