

## **SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

Minutes of a meeting of the Audit and Corporate Governance Committee held on  
Friday, 29 September 2017 at 9.30 a.m.

**PRESENT:** Councillor Andrew Fraser – Chairman

**Councillors:** John Batchelor  
Roger Hall  
Tony Orgee

Christopher Cross  
Douglas de Lacey  
John Williams

**Officers:** Patrick Adams  
Jean Cole  
Alex Colyer  
Rory McKenna  
Caroline Ryba

Senior Democratic Services Officer  
Interim Principal Accountant  
Executive Director (Corporate Services)  
Principal Lawyer & Deputy Monitoring Officer  
Head of Finance

**External:** Steve Crabtree  
Suresh Patel  
Tony Poynton

Shared Head of Internal Audit  
Ernst & Young  
Ernst & Young

Councillor Simon Edwards was in attendance, by invitation.

### **1. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Simon Crocker.

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

Councillor John Batchelor declared a non-pecuniary interest as Chairman of the Combined Authority Scrutiny Committee.

Councillor Andrew Fraser declared a non-pecuniary interest as Chairman of the Combined Authority Audit Committee and as a Non Executive Director of Ermine Street Housing.

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

The minutes of the meeting held on 30 June 2017 were agreed as a correct record.

### **4. INTERNAL AUDIT QUARTERLY PROGRESS REPORT**

Steve Crabtree, Shared Head of Internal Audit, presented this report that invited the Committee to review the progress made on the delivery of the 2017/18 Internal Audit plan up to 31 August 2017.

#### **Ermine Street Housing (Operational Processes)**

Steve Crabtree reported that the recommendations made by the auditors had been accepted by the Board.

#### **National Fraud Initiative**

Steve Crabtree reported that there were no significant issues regarding this ongoing assessment.

#### **Safeguarding**

Steve Crabtree reported that the three agreed actions with the “high” category had been implemented.

**Licensing**

The Committee were assured that the Council now had procedures in place to ensure that drivers who were over 64 provided the authority with annual medical reports.

**Core Systems Assurance Work**

It was noted that assurance work on Accounts Payable, Cash & Bank and Main Accounting would be linked to the implementation of the new Main Financial System across all three authorities.

It was noted that a new Shared Head of Internal Audit would be appointed in December. On behalf of the Committee the Chairman thanked Steve Crabtree for all the work he had done for the Council and wished him well for the future.

The Committee **NOTED** the report.

**5. EXTERNAL AUDIT RESULTS REPORT 2016/17**

Suresh Patel introduced External Audit's Results report for 2016/17 by explaining that work was still ongoing. The Council had provided its statement of accounts at the end of July and so did not meet the end of June deadline. This had delayed the start of the audit and so External Audit were not yet in a position to issue an unqualified audit opinion on the Statement of Accounts.

**Staff shortages**

The Executive Director explained that due to circumstances outside the Council's control accountancy had been left short-staffed and this had resulted in work being carried out later than hoped. He commended the work of the Interim Principal Accountant for the work she had completed, with very little handover. Previously the Council had relied on manual systems and it was hoped that the new Financial Management System and permanent recruitment could help to resolve this, although the Head of Finance warned that the introduction of the new Financial Management System was proving to be a time-consuming project.

The Chairman suggested that the Council should consider employing at least one extra member of staff in accountancy to meet the new deadline for the 2017/18 accounts.

**Value of Council's dwellings**

It was noted that the External Auditors were challenging the Council and its valuer regarding the stated value of the Council's dwellings, as the overall valuation had decreased from last year, which appeared unlikely in light of the overall market trend. The Executive Director explained that it was probable that the District Valuer had over-estimated the valuation of the Council's dwellings for 2015/16 and this was only coming to light now, with the use of a different assessor. The Executive Director expressed his disappointment in the fact that the External Auditors had not challenged the valuation figures for the Council's dwellings when they were first reported in February 2017. External audit commented that typically the value of council dwelling was not a risk area and as such was not an area of audit focus in the early part of the year.

**Timescales**

External Audit also highlighted that the Council had yet to complete all of the group accounts within the statements and the cash flow. Suresh Patel explained that External Audit would need to carry out sufficient work to be satisfied that the Council's accounts, and in particular the valuation of its dwelling, was materially correct and this would require at least a week to resolve and conclude their report.

Members of the Committee expressed concern at the fact that this was the second year in a row that the Council had been unable to have the accounts signed off by the end of September and next year the deadline was being brought forward to the end of July.

The Chairman stated that the Committee would monitor the situation and formulate a plan for ensuring that next year's accounts were closed within the new deadline set by the Government. To that end the Committee agreed to hold a meeting in January 2018 to review the procedure for agreeing next year's accounts. It was hoped that the new Financial Management System would be in place by then.

### **Balance sheet**

It was noted that the value of council dwellings related to the value of assets in the group accounts and did not affect the general fund balance for 2016/17. The Balance Sheet had been audited and the Council's overall financial position was as expected. The Committee understood that the accounts were fundamentally sound.

### **Summary of differences**

Tony Poynton brought the Committee's attention to page 20 of the report, which listed the misstatements in the financial statements or disclosures identified during the audit which Management have agreed to correct. In response to questioning, he explained that there were a larger number of misstatements than he would have expected.

### **South Cambs Ltd**

In response to questioning Tony Poynton explained that the South Cambs Ltd financial figures were included in the Balance Sheet, but had been excluded from the notes. The Executive Director explained that the implications of changing interest rates on South Cambs Ltd had been included in the Business Plan considered by Cabinet in February.

The Committee **NOTED** the report.

## **6. REVIEW OF STATEMENT OF ACCOUNTS**

The Executive Director presented this report and suggested that, as it was not possible for the Committee to agree the Statement of Accounts, the power of approval should be delegated to the Chairman in consultation with the Executive Director. It was noted that with the exception of the value of assets, the accounts were ready to be agreed.

The Committee **AGREED**

- A) That approval of the 2016/17 Statement of Accounts be delegated to the Chairman of the Audit and Corporate Governance Committee in consultation with the Executive Director (Corporate Services).
- B) That the Chairman be authorised to sign the letter of representation on behalf of the Council.

## **7. LETTER OF REPRESENTATION**

This item had been discussed under agenda item 6.

## **8. ANNUAL GOVERNANCE STATEMENT AND CODE OF CORPORATE GOVERNANCE 2016/17**

The Committee considered the Annual Governance Statement 2016/17.

**Combined Authority**

In response to questioning the Executive Director explained that the cost to this Council for its work on the governance arrangements of the Combined Authority would be covered by the Combined Authority.

**Minority report**

The conclusion in the Annual Governance Statement stated that the Committee reported that “the council was well-governed, and performed well.” Councillors John Batchelor and John Williams considered that this was a political statement and as opposition councillors they could not support it.

The Committee

**AGREED to**

- A) Endorse the draft Annual Governance Statement for approval and sign-off by the Leader.
- B) Note that the final version of the Statement will be updated following the receipt of the External Auditors Opinion.
- C) Endorse the Code of Corporate Governance for the Council.

**9. AUDIT COMMITTEE BRIEFING PAPER**

Suresh Patel hoped that the Committee would find the attached “Local Government audit committee briefing” paper useful.

**Housing companies**

Suresh Patel assured the Committee that any borrowing by the Council to provide affordable housing would end up in the accounts. The Executive Director explained that the Government were likely to tighten the rules on the setting up of housing companies in order to manage the risks involved. He assured the Committee that the Council had knowledge of the housing investment market and in managing any related risks. It was noted that the Council had received £670,000 from Ermine Street Housing Ltd in the last financial year.

The Committee **NOTED** the briefing paper.

**10. MATTERS OF TOPICAL INTEREST**

The Chairman reminded members of the Committee that they had been invited to the Audit Committee Members’ Forum being run by Ernst and Young at the Cambridge offices on the morning of Monday 6 November.

**11. DATE OF NEXT MEETING**

The Committee agreed to schedule an extra meeting on Friday 26 January 2018 to discuss the timetable for signing off the 2017/18 Statement of Accounts.

The next meeting will be held on Friday 24 November 2017 at 9:30am.

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**The Meeting ended at 11.00 a.m.**

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