

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Tuesday, 30 July 2019 at 9.30 a.m.

PRESENT: Councillor Tony Mason – Chairman
Councillor Nick Sample – Vice-Chairman

Councillors: Clare Delderfield Brian Milnes
Peter Topping Heather Williams
Eileen Wilson

Officers: Patrick Adams Senior Democratic Services Officer
Peter Maddock Deputy Head of Finance
Rory McKenna Deputy Head of Legal Practice

Auditors: Jonathan Tully Head of Shared Internal Audit

Councillors Bridget Smith, Hazel Smith and John Williams were in attendance, by invitation.

1. APOLOGIES FOR ABSENCE

Apologies for Absence were received from Councillor John Batchelor, with Councillor Clare Delderfield acting as substitute, and Councillor Mark Howell, with Councillor Peter Topping acting as substitute.

2. DECLARATIONS OF INTEREST

None.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 30 April 2019 were agreed as a correct record, subject to the following two amendments:

- The inclusion of the promise of training on the Investment Strategy.
- The inclusion of the promise of an effective Audit toolkit from Ernst & Young.

4. FINAL ACCOUNTS UPDATE

The Head of Finance presented this report on the proposed timetable for the completion of the external audit of both the 2017/18 and 2018/19 financial statements, which included the background to the current position. It was noted that:

- The 2015/16 accounts were submitted on time, but were prepared by one officer who then left the Council, before the audit was completed.
- The 2016/17 accounts were prepared by two contractors, who had left the authority by the time of the external audit.
- The 2017/18 accounts were also prepared by contractors, before issues with the 2016/17 accounts had been resolved.
- In early 2018 it was decided that the 2017/18 accounts should be drawn up again, with proper working papers.
- Work on the 2017/18 was sporadic due to resource issues from both the Council and the external auditors.

Collection Fund and Asset Register

The Head of Finance explained that the last known correct figures for the Collection Fund were for the 2014/15 financial year, necessitating several months of work to prepare the correct figures for 2017/18. The data used for compiling the asset register proved to be unreliable as issues with the 2016/17 accounts had not been resolved. The register was redone and this part of the 2017/18 accounts now balanced.

Signing off 2017/18 accounts before working on 2018/19 accounts

The Head of Finance explained that a large amount of extra work had been generated by starting work on the 2017/18 accounts before issues identified with the 2016/17 accounts had been resolved. He explained that it was imperative that the 2017/18 accounts were agreed, before work on the 2018/19 accounts commenced and this might mean a short pause, whilst external audit examined the 2017/18 accounts. It was understood that preparatory work on the 2018/19 accounts was already being carried out. It was noted that Internal Audit would review the 2018/19 accounts before external audit.

Background to the current position

Councillor John Williams, the Lead Cabinet Member for Finance, stated that the current administration had inherited an unsatisfactory situation from their predecessors. The true picture had only become apparent following advice from a mentor and the work of newly appointed officers to the Council. It had taken the new administration 18 months, but the situation was now being rectified. Councillor John Williams expressed the view that the previous Portfolio Holder for Finance should have known that there was an issue with the 2017/18 accounts and acted accordingly. Councillor Heather Williams stated that she had raised issues with the accounts over a year ago and that it was not appropriate to bring party politics into the work of this Committee. She added that issues had been raised in February 2019 and no adequate response had been given by the current administration. Councillor Peter Topping stated that the issues with the 2017/18 accounts stretched across the two administrations. He pointed out that the Task and Finish Group set up to oversee the signing off of the accounts had only met once in May.

External auditors

Members of the Committee expressed disappointment at the fact that no representatives from external audit were present at the meeting. It was noted that the external auditors had been appointed for the authorities in the Eastern region by Public Sector Audit Appointments (PSAA), who had been appointed by the Local Government Association (LGA). The Council had the option of appointing its own auditor, but at the time the authority had decided to use the regional choice, as it represented best value for money and had already been selected by the LGA. It was understood that both Cambridgeshire County Council and the Peterborough and Cambridgeshire Combined authority were dissatisfied with their current providers. It was suggested that the Council should consider appointing a different external auditor. It was noted that there was a national shortage in accountants and auditors who had experience of working in local government.

Meetings of the Committee during 2018/19

The Chairman apologised for the fact that the Committee had not met for six months between September 2018 and March 2019, but he had been convinced to postpone the planned meeting until the accounts were ready to be signed off.

Recruitment in Accountancy

Councillor John Williams explained that a shared Accountancy service with Cambridge City Council had not been in the best interests of this authority, so the administration had decided not to pursue a shared service arrangement with Cambridge City Council.

The Head of Finance explained that the Council had appointed a number of qualified accountants, who have since gained experience of working in local government. Training was being offered to other staff, including the AAT qualification. He was confident that both the 2017/18 accounts and 2018/19 accounts would be signed off by the end of the year.

Honest reporting

The Head of Finance was thanked for his honest and comprehensive report. Councillor Brian Milnes stated that in his view, previous reports to the Committee had been too optimistic and had not fully described the difficulties the Council faced with the recruiting of staff and managing the process of getting the accounts signed off. Councillor Heather Williams suggested that the Committee should be concentrating more on the future than making political points regarding the past. Councillors Eileen Wilson stated it was necessary to examine the past to inform the future. Both councillors expressed an interest in sitting on the Task and Finish Group.

Recommendations

Councillor Peter Topping suggested that the Committee be provided with details of the necessary work required in closing the accounts, with every factor given a Red, Amber or Green (RAG) rating, with an explanatory commentary. Councillor Heather Williams suggested that the Task and Finish Group meet monthly.

The Chairman stated that the aim was to get the 2017/18 and 2018/19 accounts signed off by the end of the year.

The Committee **AGREED** to

- A)** Hold monthly meetings of the Audit of Accounts Task and Finish Group.
- B)** Instruct the Group to identify the work that needs to be done to ensure that the 2017/18 and 2018/19 accounts are signed off by the end of the year.
- C)** To instruct the Group to report back to the Committee with any concerns regarding this deadline.

5. ANNUAL REPORT OF INTERNAL AUDIT

The Head of Shared Internal Audit presented this report on the audits carried out under the 2018/19 Audit Plan. He explained that two audits had been given a limited assurance: HRA Electrical Safety Compliance, where recommendations had been made to improve the accuracy of the data used by officers, and Building Control Fees. Follow-up reviews will be carried out to ensure that agreed recommendations to improve management processes had been enacted.

Adding dates of actions to audits

In response to a request, the Head of Shared Internal Audit explained that adding the dates of actions relating to the various audits would be complicated and necessitate an altering of the report format. He agreed to communicate the progress of actions, to highlight where these had not been delivered to the original planned timescales.

Reducing the length of reports

In response to questioning, the Head of Shared Internal Audit agreed to try and reduce the length of the Annual Report in order to reduce paper usage.

Follow-up reports

The Head of Shared Internal Audit assured the Committee that follow-up audits were carried out if the original audit warranted this action. He explained that results of follow-up audits would be reported back to the Committee.

Report on ICT

The Head of Shared Internal Audit stated that reviews of information governance and ICT were completed by Huntingdonshire District Council as the lead Council for Shared Services ICT provision. He was asked to share any reports on ICT.

Other assurance and consultancy activities

The Head of Shared Internal Audit explained that where appropriate, Internal Audit carried out consultancy work and investigations, which did not warrant an assurance rating, and this would also help inform the annual opinion.

The Committee **NOTED** the annual report from Internal Audit.

6. INTERNAL AUDIT PLAN

The Head of Shared Internal Audit introduced this report on the draft Internal Audit Plan and Strategy for 2019/20, which would add value to the Council by helping to improve the Council's systems, mitigate risks and inform the Annual Governance Statement. He explained that the planned number of audit days for 2019/20 was 400 days, which was an increase from the previous year's 249 days. The Committee were invited to consider if the plan was appropriate, propose and changes and improve it.

Audit days in future reports

The Head of Shared Internal Audit agreed to provide the number of days per audit categorised activity.

Report carried forward

The Head of Shared Internal Audit explained that the only review carried forward for this Council was the report into Facilities Management. Planned work could be re-profiled to another time, if it was agreed with the customer as more appropriate for the Council.

Carrying out the Plan

It was noted that the dates that the audits would be carried out could be circulated as part of future updates to the Committee. The Head of Shared Internal Audit explained that any substantial changes to the Plan would be reported back to the Committee.

Review of the Internal Audit Plan

Members of the Committee supported the Internal Audit Plan. The Chairman noted the planned review of the Capital Strategy and Asset Management, and requested additional work to be undertaken on Revenue to support the Statement of Accounts work.

The Committee **AGREED**

- A)** The draft Audit Plan and Strategy.
- B)** The supporting Charter and the Code of Ethics.

7. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) UPDATE ON USE OF RIPA

The Committee **NOTED** the report on the Council's use of surveillance powers between February 2019 and July 2019.

8. MATTERS OF TOPICAL INTEREST

Appointment of an Independent Person to the Committee

The Committee were advised that in principle an independent person could sit on the Committee and could bring expertise and external challenge to assist the Committee. The following points were noted:

- The decision to have an Independent Person would be that of full Council but once ratified the appointment could be delegated and made by the Committee.
- A Job Description and Person Specification would be required to ensure any successful candidate had the relevant skills.
- It could prove difficult to find a person of suitable calibre willing to serve on the Committee.
- Consideration would need to be given as to whether the person would have voting rights – opinion was divided.
- The Independent Remuneration Panel would need to make a recommendation on any allowance for this position.
- Members raised the possibility that the Local Government Association could assist the Council in this matter.

The Committee agreed to receive an options report at a future meeting.

Reports from External Audit

The Head of Finance explained that External Audit would not be making any recommendations under Section 24 of the 1972 Local Government Act regarding the delay in signing off the accounts.

It was hoped that External Audit would be able to provide Committee members with the Audit toolkit promised at the last meeting.

It was requested that the External Auditors send a representative to the next meeting of the Committee, as their presence adds value to the meeting.

9. DATE OF NEXT MEETING

It was noted that the next meeting would be held on Tuesday 24 September at 9:30am in the Swansley Room.

The Meeting ended at 12.15 p.m.
