

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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

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

Councillors: John Batchelor Brian Milnes
Heather Williams Eileen Wilson

Officers:	Patrick Adams Peter Maddock Rory McKenna Bob Palmer	Senior Democratic Services Officer Deputy Head of Finance Deputy Head of Legal Practice Interim Executive Director
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Auditors: Suresh Patel Jonathan Tully Ernst & Young Head of Shared Internal Audit

Councillors Dr. Tumi Hawkins, Hazel Smith and John Williams were in attendance, by invitation.

1. APOLOGIES FOR ABSENCE

Apologies for Absence were received from Councillor Mark Howell, due to a bereavement.

2. DECLARATIONS OF INTEREST

Councillor John Batchelor declared a non pecuniary interest as an unremunerated Director of Ermine Street Housing.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 26 March 2019 were agreed as a correct record.

4. TO RECEIVE A VERBAL UPDATE ON THE AUDIT PLAN FROM INTERNAL AUDIT

The Head of Internal Audit explained that Internal Audit were finishing off the audits of 2018/19 and that a full programme for 2019/20 would be presented to the next meeting.

5. TO RECEIVE A VERBAL REPORT ON THE AUDIT OF 2017/18 ACCOUNTS FROM THE EXTERNAL AUDITORS

Suresh Patel updated the Committee on the audit of the 2017/18 accounts. He explained that the plan was for External Audit to sign off the 2017/18 accounts in August and no work would be carried out on the accounts until then. In response to concerns regarding capacity, Suresh Patel explained that Ernst & Young were currently recruiting, although it was noted that August was a time when both auditors and accountants went on leave.

2018/19 Accounts

It was noted that External Audit could not work on the 2018/19 accounts until the 2017/18 accounts were signed off. Suresh Patel explained that the plan was for the 2018/19 accounts to be signed off by Christmas 2019. This would mean that the accounts for 2019/20 could be signed off on time.

The Deputy Head of Finance explained that the priority was to get the 2018/19 accounts signed off as soon as possible. To this end, officers were working on the 2018/19 accounts to ensure that they would be ready for External Audit in December this year.

External Audit's fees

It was suggested that External Audit should offer a refund on their charges for the 2018/19 accounts, as they would be completing the audit late and this would cause disruption to the Accountancy Service. Suresh Patel explained that it was more efficient for External Audit to complete all their work on the 2017/18 accounts in August, than to continue to work piecemeal on these accounts.

It was suggested that as Ernst & Young were not working on the Council's 2018/19 accounts during the months of May to July, they should be available to work on our 2017/18 accounts during this time. Suresh Patel explained that the audit of 2018/19 accounts had not been scheduled for May to July as he had not expected them to be ready.

It was noted that under the current arrangements, the Public Sector Auditor Appointments Limited was responsible for appointing the Council's external auditor.

Value for money conclusion

It was noted that Suresh Patel would be meeting with the Interim Executive Director and Chief Executive shortly, to discuss this issue. He agreed to update the members of the Committee following this meeting. Suresh Patel also explained that External Audit would have to consider issuing Section 24 recommendations to full Council regarding the failure to sign off accounts. Council would have 30 days in which to respond. This matter would also be discussed with senior officers at this meeting.

Task and Finish Group

The Chairman, Councillor Tony Mason, explained that a Task and Finish Group would be set up to monitor the progress of signing off the accounts and would report progress to the rest of the Committee.

Staffing

It was noted that the Interim Executive Director would leave the authority next month. The Deputy Head of Finance explained that new staff had been recruited to accountancy and he was confident that the Council had the capacity to complete the necessary work to get the accounts prepared for External Audit in time for the stated deadlines. Councillor Heather Williams suggested that it would be useful for the Committee members to have an organisational chart for the Council's finance team.

Timescales

Frustration was expressed at the fact that the 2017/18 accounts were still not signed off and at each meeting the Committee were given a new timescale, which then was not met.

The Committee agreed to receive an update from the External Auditors at the next meeting in July.

6. REVIEW OF THE COMMITTEE TERMS OF REFERENCE

The Head of Internal Audit presented this report, which recommended that the Committee approve its updated Terms of Reference.

Independent members of the Committee

It was suggested that the Committee should include a non councillor in its membership. It

was noted that this could ensure experienced knowledge in the Committee's membership but the Council might find it difficult to recruit a suitable candidate. It was agreed that a small Special Responsibility Allowance should be paid to an independent member and full Council would be responsible for appointing them. The Committee agreed that it should have the option of appointing an independent person to its membership and asked the Deputy Head of Legal Practice to investigate whether this was possible.

Role of members of the Committee

It was agreed that the Terms of Reference should include guidance on the role expected of Committee members. It was noted that the Committee reported its findings to full Council.

Work of the Committee

Concern was expressed regarding the possible duplication of effort with the Scrutiny and Overview Committee. However, it was suggested that the Terms of Reference should not restrict the Committee from being able to review any aspect of the Council.

National Fraud Initiative

The Head of Internal Audit explained that in some instances the Committee would need to empower External Audit, for example in responding to the requirements of the National Fraud Initiative. He agreed to report back to the Committee on this.

Annual Governance Statement

The Head of Internal Audit explained that the Annual Governance Statement covered the issues raised in paragraph 7 of the proposed Terms of Reference, which stated that the Committee would "consider the Council's framework of assurance". The Annual Governance Statement would be considered by the next meeting of the Committee in July.

Review of the Constitution

The Deputy Head of Legal Practice explained that the Constitutional Review Task and Finish Group were drawing up recommendations to simplify the Constitution and make it easier for the layperson to understand. The objective was not to try and radically change the Terms of Reference of this Committee.

The Committee **AGREED** the Terms of Reference, as attached to the agenda, subject to the agreed amendments. The Chairman and Vice-Chairman of the Committee were authorised to work with officers to agree these changes.

Councillor Heather Williams abstained.

7. ISSUES ARISING FROM PREVIOUS MEETINGS

The Interim Executive Director introduced this report, which provided detailed answers to questions asked at the Committee meetings in July 2018 and March 2019. Councillor Heather Williams expressed her thanks to officers for this report.

In relation to IFRS 9 Financial Instruments, the Interim Executive Director was asked to provide the value of the substantial loan to Ermine Street Housing for the next meeting of the Committee.

8. PURCHASE OF INVESTMENT PROPERTY

The Interim Executive Director presented this report, which provided details of the Council's recent purchase of a property in the Cambridge Science Park, as requested at the last meeting of the Committee.

In response to questioning, the Deputy Head of Legal Practice confirmed that it had been acceptable for the Vice-Chairman of the Scrutiny and Overview Committee to agree to allow the decision to be taken under the “special urgency” provision, as the Chairman had not been available.

The Interim Executive Director explained that the Medium Term Financial Strategy had estimated a yearly investment of £20 million per annum for five years. The Council had been fortunate to find a £13 million investment opportunity in the Cambridge Science Park in March this year. This meant that the investment return would more favourable than estimated in the Medium Term Financial Strategy. Councillor John Williams, the Lead Cabinet Member for Finance, explained that it was unnecessary to provide a revised budget.

The Committee **NOTED** the report.

9. MATTERS OF TOPICAL INTEREST

Regulation of Investigatory Powers Act (RIPA)

The Deputy Head of Legal Practice explained that an ongoing investigation into fly-tipping in the Fulbourn ward in February had necessitated authorisation of surveillance as laid out in the RIPA legislation and internal policies of the Council.

10. DATE OF NEXT MEETING

Tuesday 30 July 2019 at 9:30am in the Swansley Room.

The Meeting ended at 11.15 a.m.
