

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Thursday, 19 December 2019 at 9.30 a.m.

PRESENT:	Councillor Tony Mason – Chairman Councillor Nick Sample – Vice-Chairman	
Councillors:	John Batchelor Brian Milnes	Mark Howell Eileen Wilson
Officers:	Patrick Adams Tracey Flack Daniel Hasler Peter Maddock	Senior Democratic Services Officer Principal Accountant Accountancy Assistant Head of Finance
Auditors:	Suresh Patel Mark Russell Jonathan Tully	Ernst & Young Ernst & Young Head of Shared Internal Audit

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

1. APOLOGIES FOR ABSENCE

Apologies for Absence were received from Councillor Peter Topping and Heather Williams. Councillor Mark Howell substituted for Councillor Peter Topping.

2. DECLARATIONS OF INTEREST

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

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 24 September 2019 were agreed as a correct record.

Housing re-evaluation

Peter Maddock agreed to ascertain when the next housing re-evaluation would be taking place.

4. TREASURY MANAGEMENT - ANNUAL REPORT 2018/19

The Head of Finance introduced this report, which outlined the Treasury Management activities in the financial year 2018/19.

Short-term borrowing

It was noted that the £3m borrowed from other local authorities was a short-term loan and had been repaid. It was understood that the Council also transferred funds internally to use for capital expenditure. This was referred to as “internal borrowing” and was temporary. The rates from other local authorities were competitive and far better than the Public Works Loan Board (PWLB).

The Head of Finance explained that all external borrowing had been agreed on a fixed rate for 2018/19, as these rates had been and remained competitive.

Benchmarking

The Head of Finance reported that the Council's return on investments was better than the client average, but the level of risk was higher. The Head of Finance assured the Committee there was a balancing act between gaining the best returns from investing in the short-term funding and long-term, but currently the difference in rates was minimal.

The Committee **APPROVED** the Treasury Management Annual report.

5. MID-YEAR 2019/2020 TREASURY MANAGEMENT REPORT

The Head of Finance presented this agenda item on the mid-year treasury management report to 30 September 2019. It was noted that the Treasury Management Policy and Treasury Management Strategy Statement had been found to be appropriate and no changes were required.

Ice rink

It was noted that the Council had made a long-term investment in the Ice Rink at Milton. In response to a query from the Committee regarding the monitoring of the Ice Rink's performance, Councillor John Williams explained that the Council would receive a review after six months of the rink opening, which equated to approximately three months from the date of the meeting.

Public Loan Work Board (PLWB)

It was noted that the PLWB's rate for loans had increased from 1.3% to 2.3%, but a discount of 0.2% could be claimed by the Council, providing it notified the Government in advance. The Council had applied to borrow at this rate until November 2020.

Income

It was noted that the Council expected to receive £842,000 in rental income for 2019/20 and receive £1.5m more in income than predicted.

Duration of investments

The Accounts Assistant explained that the advice on the length of the investment period had changed to six months or 100 days, but this was not compulsory. This explained why investments had been made that exceeded this period.

It was noted that the Council was reprofiling its investments away from 1 year deposits to shorter periods and increase its investments in instant access money market funds. This will allow the Council to cover investment strategy purchases while minimising our borrowing. The Committee supported an increase in liquidity, on the understanding that this would decrease the need for borrowing.

The Committee **NOTED** the report.

6. FINAL ACCOUNTS UPDATE 2017/18 - ERNST & YOUNG'S REPORT (REPORT TO FOLLOW)

Suresh Patel presented this report, which summarised external audit's preliminary audit conclusion in relation to the audit of the Council for 2017/18. He introduced Mark Russell, who had been a manager for EY since 2019 and was helping to complete the audit.

Executive summary

Suresh Patel reported that the external auditors had issued a qualified conclusion on finance reporting and for the third consecutive year the Council had been unable to

publish its accounts according to its timetable. There was no evidence of any deliberate errors, but one mistake in relation to NNDR income totalled approximately £3.5m. The report included recommendations for improvements and the Head of Finance explained that he would liaise with the external auditors on how to improve the whole process. Mark Russell added that a planning meeting would take place to discuss how the 2018/19 accounts would be audited.

Audit fee

Suresh Patel stated that the external auditors would be charging an extra £140,000 for the additional work carried out on this audit and this claim would be supported with detailed evidence. Members of the Committee and the Lead Cabinet Member for Finance were opposed to this level of increase, as the external auditors had been partly responsible for the delays and the extra work this incurred. Suresh Patel explained that these accounts were the most difficult he had encountered in 25 years and the charge was a fair reflection of the additional work involved. The Head of Finance explained that the Council's contract was with the Public Sector Audit Appointments (PSAA) and any dispute regarding fees would have to be resolved by them.

It was noted that the annual fee of £52,000 would be reduced by 20% for the 2018/19 accounts.

Letter of representation

The Head of Finance agreed to get legal advice on possible amendments to the letter of representation.

Future accounts

Suresh Patel agreed to amend his comments on the risk relating to the signing off of the 2019/20 accounts, which related to timings and not processes. It was noted that the 2018/19 accounts would have to be signed off in the new year before the 2019/20 accounts could be finalised.

Final testing

Suresh Patel explained that the final testing was being carried out that morning. An error had been discovered on the creditors account, but this was not material. He predicted that the external auditors would be able to sign off the accounts in early January, following a thorough check.

It was suggested that this report should come back to the Committee, after external audit had approved the Accounts. However, this was countered with the view that providing there were no significant changes, the Committee should give delegated authority to the Chairman to sign-off the accounts. The Head of Finance explained that any adjustment to the 2017/18 accounts at this stage was historic and he recommended that the Committee agree the accounts. He added that for understandable reasons these accounts were being more thoroughly audited than any other accounts he had known.

A vote was taken and with 5 votes in favour and 1 against, the Committee

AGREED to instruct the Chairman to sign-off the approved accounts, providing no material changes were necessary.

Councillor Mark Howell asked that his vote against be recorded.

7. FINAL ACCOUNT 2017/18 UPDATE - COUNCIL'S REPORT

The Head of Finance explained that the Committee were required to approve the accounts

and the Annual Governance Statement. It was noted that the Annual Governance Statement had already been approved by the Committee, but the correct procedure was for them to be formally agreed again.

The Head of Finance explained that a temporary member of staff who had suitable experience had been hired to assist in the process of closing the 2018/19 accounts. It was hoped that the 2018/19 accounts would be agreed by the end of January and then audited by the end of March. The aim was to then have the 2019/20 accounts agreed by the end of May. In response to questioning, the Head of Finance reiterated that it was preferable to delay the finalising of the accounts, than to submit accounts that he had no faith in. It was agreed that a Task and Finish Group should be held in February to review the progress being made on the 2018/19 accounts.

The Leader, the Lead Cabinet Member for Finance and the Chairman of the Committee all thanked the Head of Finance and his team for their efforts in preparing the accounts, which had required the correction of the problems of the past.

The Committee

AGREED

- A) To approve the Annual Governance Statement.
- B) To approve the 2017/18 Statement of Accounts, subject to the final audit procedure.
- C) To note the proposed timetable for the completion and audit of the 2018/19 Statement of Accounts.

8. MATTERS OF TOPICAL INTEREST

Training

It was noted that external audit had agreed to provide the Committee with an Audit Toolkit. The Head of Finance agreed to contact the Chartered Institute of Public Finance and Accountancy (CIPFA) to arrange suitable training for the Committee.

9. DATE OF NEXT MEETING

It was noted that the next meeting was scheduled for Tuesday 24 March at 9:30am in the Swansley Room.

The Meeting ended at 11.15 a.m.
