

## South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on  
Wednesday, 1 December 2021 at 10.00 a.m.

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

Councillors: Geoff Harvey Mark Howell  
Heather Williams

Officers: Patrick Adams Senior Democratic Services Officer  
Anne Ainsworth Chief Operating Officer  
Peter Maddock Head of Finance  
Rory McKenna Monitoring Officer  
Liz Watts Chief Executive

Auditors: Mark Russell Ernst & Young  
Jonathan Tully Head of Shared Internal Audit  
Janet Dawson Ernst & Young

Councillors Grenville Chamberlain and John Williams were in attendance, by invitation.

### 1. Apologies for Absence

Apologies for absence were received from Councillor Jose Hales.

### 2. Declarations of Interest

Councillor Mark Howell declared a non-pecuniary interest as a County Councillor in agenda item 5, whilst discussing the organisation ESPO, which was part owned by Cambridgeshire County Council.

### 3. Minutes of Previous Meeting

The minutes of the meeting held on 28 September 2021 were agreed as a correct record.

The Head of Finance stated that the Council had recruited a 0.5 full time equivalent member of staff to accountancy. He agreed to distribute a structure chart of the Council's finance section.

### 4. Public Questions

Rosalind Barden explained that she had worked for a number of years implementing PC systems, which followed strict rules. This led to her question: "I note that the delays in finalising SCDC's 2018/19 accounts are being blamed, in part, on issues around the implementation of the Fixed Asset Register. I'm struggling to understand how the Council got itself into the position of what looks to be issues with data migration over three years after the new Register was

implemented.

“I would therefore like to ask the Committee if there has been any investigation into what went wrong and, if so, what changes to procedure have been put in place to avoid similar issues arising?”

“And if not, will the Committee recommend that such an investigation and 'lessons learned' exercise be carried out so that the Council can avoid further implementation problems?”

The Chair explained that the asset register was originally implemented over three years ago and issues with the data migration were identified by the Capital Accountant currently managing this in the autumn of 2019. Work had been undertaken to correct this data and update the register but this had taken longer than expected.

The Chair stated that the register now contained the correct data but there was no evidence of a project plan or that proper testing had been carried out when the data was originally migrated in early 2018. Quite clearly this was unsatisfactory and the Council needed to understand what went wrong and why.

The Chair concluded that once both the Council and External Audit team were happy that the register was accurate the necessary review will be carried out. The Council had asked our Internal Audit team to investigate this matter so they can satisfy themselves that all the correct controls and processes will be in place going forward.

As her supplementary question Rosalind Barden asked if the Council's ICT section had fully considered the risks around software implementation and whether this should be part of the Council's Risk Register. The Chair stated that the Council's ICT section would need to provide a written response to this question.

Daniel Fulton asked the following question:

“Is the Chair of the Audit and Corporate Governance committee satisfied that there are appropriate governance arrangements in place for the shared services in which the council participates?”

The Chair replied that he was satisfied with the current governance arrangements of the Shared Services, and that they were appropriate for each of the Services, with member oversight from each council. He concluded that these arrangements had been in place for a number of years and were subject to a review to ensure they were fit for purpose moving forward as our services and relationships continue to develop.

As his supplementary question Daniel Fulton suggested that the head of the 3C ICT service did not have sufficient time to prepare for the risk of a service failure and he asked if the Chair of the Audit and Corporate Governance Committee could discuss with the Chair of the Scrutiny and Overview Committee if the issue of ICT governance could be reviewed at a future meeting of the Council.

The Chair stated that he would consult with the Chair of the Scrutiny and Overview Committee on this matter and provide Daniel Fulton with a written response.

It was noted that members of the Committee would also receive the written responses to both supplementary questions.

## 5. Auditor Appointment for 2023/24 Onwards

The Head of Finance presented this report which described the process for appointing the Council's external auditors and recommended that the Council use the Public Sector Audit Appointments (PSAA) contract and framework for this process. He explained that 98% of local authorities used the PSAA contract, there were only six firms that could carry out the work and that it would be expensive to use an alternative method without any obvious benefit.

Members of the Committees supported the recommendation in the report as the safest and most sensible option. Councillor Nick Sample suggested that a clause be included regarding extra costs incurred by the Council due to a lack of resources from the auditor.

Councillor Mark Howell suggested that the Council consider using the Eastern Shires Purchasing Organisation (ESPO), which was partly owned by the County Council, to appoint an external auditor. Councillor John Williams stated that the County Council used the PSAA to appoint its auditors and not ESPO. The Chair proposed and Councillor Heather Williams seconded that the Head of Finance consider the possibility of using ESPO to appoint its auditors. It was agreed that the Chair would liaise with the Head of Finance on this issue and provide a written response to the Committee.

The Committee

**Agreed** that when appointing the auditor for the next appointment period from 1 April 2023, if upon investigation using ESPO proves impractical, the PSAA contract and framework is used for this process.

## 6. Final Accounts Update

The Head of Finance presented this report. He highlighted the proposed timescale for the signing of the accounts for 2018/19, 2019/20 and 2020/21, as set out in the Gantt chart on page 15 of the agenda.

In response to questioning, the Head of Finance explained that he believed that the Council had the resources to achieve this timescale. The Interim Project Accountant explained that officers were prepared to work out of hours and department heads would be able to bring in extra resources to answer any resulting queries. He therefore believed that the timescale was achievable but it would also depend on the work of the Council's external auditors and their resulting queries. The Head of Finance confirmed that the two Interim Project Accountants were contracted to October 2022. He agreed to check if there were other interim accountants. He added that the Council had appointed a Deputy 151 Officer in February 2021 and if necessary agency staff could be recruited at short notice.

Mark Russell from EY explained that if the working papers presented on the financial statements provided by the Council were in good order the accounts could be signed off and the timetable in the Gantt chart could be adhered to. Janet Dawson from EY added that providing the Council had resolved all the outstanding queries by 14 January the accounts could be signed off according to the timescale. However, if this deadline was missed the whole timescale would have to be adjusted.

### **Fixed Asset Register**

The Head of Finance explained that the Fixed Asset Register had been the biggest factor in delaying the signing of the 2018/19 accounts and once this was resolved the signing of these and subsequent accounts should be straightforward. Mark Russell from EY concurred that the signing of the 2019/20 accounts should be more straight forward as the issues with the Fixed Asset Register will be resolved by then.

### **2018/19 Accounts**

The Interim Project Accountant explained that a meeting was being held between Mark Russell of EY and the Principal Accountant to resolve the four outstanding issues currently preventing the signing of the 2018/19 accounts. He confirmed that the Council was no longer waiting for information or valuations from a third party.

### **2019/20 and 2020/21 Accounts**

The Chief Executive reported that 70 out of the 127 working papers had already been prepared for the 2019/20 accounts, but issues with the Fixed Asset Register needed to be resolved before more progress could be made. Janet Dawson explained that it was not possible for the external auditors to audit separate years' account concurrently and so the issues with the 2018/19 accounts needed to be resolved before EY started work on the 2019/20 accounts.

It was agreed that an updated version of the Gantt chart should be received at the Committee's next meeting.

The Committee **Noted** the report.

## **7. External Audit Update - report to follow**

Janet Dawson of EY presented this report on the external audit of the 2018/19 financial statement. She explained that four issues remained to be resolved with regard to property, plant and equipment, which could have a material impact on the Council's financial statements and needed to be resolved before the audit could be concluded.

The Head of Finance apologised for the fact that the Council's property had been misvalued. A formal valuation process was now in place. Unfortunately there was no project plan regarding the migration of data in 2018. In the future, any migration of data would have a clear plan, with testing. Any surplus assets would be subject to annual checks with reasons given when the value changes. The Head of Finance hoped that the meeting between the Principle Accountant and Mark

Russell of EY would result in a good referencing system.

Janet Dawson explained that EY had not yet considered it necessary to issue a statutory recommendation for information from the Council under Section 24 Schedule 7 of the Local Accountability and Audit Act 2014, although that option remained. Janet Dawson reported that she had liaised with the Chief Executive on what could be done to improve communication between the Council and EY to ensure that requests for information were responded to promptly. In response to questioning she stated that EY had identified a lack of control regarding the migration of data. She did not consider it a significant enough issue to invoke special powers.

Councillor Mark Howell stated that no councillors, regardless of party, wanted to see the Council put into special measures. Janet Dawson explained that it was not within EY's powers to put the Council in special measures.

Councillor Grenville Chamberlain, Chair of the Scrutiny and Overview Committee, asked for an estimate on the number of hours of work required by EY and the Council to complete their work on the 2018/19 accounts. Janet Dawson explained that this was not a straightforward question as it would depend on the responses to requests for information from the Council. The Head of Finance stated that he would need to liaise with the Interim Project Accountant to estimate how many hours were required to complete the Council's work on these accounts. The Chair requested that this work was carried out by the end of the week and that the results be circulated to Committee members.

The Committee **Noted** the report.

## 8. Internal Audit Update Report

The Head of Shared Internal Audit presented this report which updated the Committee on key audit and governance themes.

The Head of Finance explained that the Fraud Team had been set up last year and was still evolving. Its ability to carry out investigations had been hampered by the Covid-19 pandemic. Whilst there was economic value in detecting fraud, obviously there were other benefits such as acting as a deterrent. The Head of Finance agreed to speak to the Fraud Manager about what action the Council took against those who refused to attend interviews under caution. Councillor Mark Howell suggested that the Lead Cabinet Member for Finance should consider withholding benefits from those residents who failed to attend an interview under caution.

Councillor Grenville Chamberlain reported that there had been a significant improvement in the Council's planning enforcement and the Scrutiny and Overview Committee would receive a further update in 6 months' time.

The Committee **Noted** the report.

## 9. Mid Year 2021/2022 Treasury Management Report

The Head of Finance presented this mid-year treasury management report, including performance against the approved Prudential Indicators for Treasury Management.

In response to questioning the Head of Finance explained that the Council was maintaining its current strategy of borrowing on a short-term basis. The Council would meet its advisers after Christmas to review this. The Medium Term Financial Strategy had assumed that the Council would move to longer-term borrowing during the next financial year. The Head of Finance added that the current level of cash flow indicated that the Council would need to borrow funds in February. He agreed to provide figures on how much the authority would need to borrow.

The Committee **Noted** the report.

#### 10. **Risk Management Report**

The Chief Operating Officer presented this report on the current processes for managing risk for the Council and included proposals to improve risk management across the authority.

The Chief Operating Officer agreed to provide members of the Committee with details of how the Council planned to mitigate the risk of single points of failure.

The Chief Operating Officer agreed to consider whether climate change could be included on the Risk Register.

The Chief Operating Officer explained that whilst the actual scores of the risks were debatable, it was vital that the correct remedial actions were put in place. Adding a risk on shared services would be considered.

The Committee **Noted** the report and agreed that it should review the Strategic Risk Register on a twice-yearly basis.

#### 11. **Matters of Topical Interest**

##### **Regulatory of Investigatory Powers Act (RIPA)**

The Deputy Head of Legal reported that the Council had not used its RIPA powers in the last quarter.

##### **Toolkit**

The Chair stated that he had asked for a timescale and a presentation on the recently distributed toolkit and that he would follow this up.

#### 12. **Date of Next Meeting**

It was agreed that Democratic Services should contact members of the Committee and arrange the next meeting of this Committee in mid-January.

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**The Meeting ended at 1.00 p.m.**

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