

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Thursday, 28 July 2022 at 10.00 a.m.

PRESENT: Councillor Michael Atkins – Chair
Councillor Peter Sandford – Vice-Chair

Councillors: Jose Hales
Helene Leeming
Heather Williams

Geoff Harvey
Richard Stobart

Officers: Rory McKenna
Patrick Adams
Peter Maddock

Monitoring Officer
Senior Democratic Services Officer
Head of Finance

Auditors: Janet Dawson
Mark Russell
Jonathan Tully

E & Y
E & Y
Head of Shared Internal Audit

Councillors Cllr John Williams was in attendance remotely.

1. Apologies for Absence

There were no Apologies for Absence.

2. Declarations of Interest

Councillor Jose Hales declared an other registerable interest as a Trustee of the Melbourn Warden Scheme, which received a grant from the Council.
Councillor Peter Sandford declared an other registerable interest as an unremunerated director of South Cambs Ltd trading as Ermine Street Housing.
Councillor Richard Stobart declared an other registerable interest as the Council's Board Member the South Cambridgeshire Investment Partnership LLP.
Councillor Heather Williams declared an other registerable interest as a member of the Greater Cambridge Partnership Joint Assembly.

3. Minutes of Previous Meeting

The Minutes of the Meetings held on 29 March 2022 and 7 April 2022 were agreed as a correct record.

4. Completion of the Audit and Accounts for 2019/20 and Future Years

The Head of Finance presented this report on progress being made on the 2019/20 Statement of Accounts and the proposed timetable for signing off future Statement of Accounts.

Purchase of Science Park

The Head of Finance explained that whilst a decision had been made to purchase a property on the Science Park in March 2020 the actual purchase took place in April 2020 so it belonged in the 2020/21 Statement of Accounts.

Variations

The Head of Finance agreed to provide an explanation of the Greater Cambridge City Deal 18.1% variance and Environmental Services 46.7% variance for 2019/20.

Treasury management

The Head of Finance explained that a meeting on Treasury Management would be held in August, which would consider whether to increase the amount of longer-term borrowing. He agreed to update the Committee on this at its next meeting.

Pension scheme

The Head of Finance explained that the Council's pension scheme was evaluated once every three years and the results of the next evaluation would be revealed in the autumn. This issue would be kept under review.

Fixed Asset Register

The Head of Finance assured the Committee that the Council's Fixed Asset Register software was used by a number of local authorities and had proved to be robust.

Loan to Ermine Street Housing Ltd

The Head of Finance agreed to add a note to the report explaining why the loan to Ermine Street Housing Ltd was not being paid back to the Council in the short term.

Reserves

The Head of Finance assured the Committee that the Council reviewed its reserves annually. The Head of Finance agreed to update the next meeting of the Committee on the £19m in reserves, as shown on page 51. Councillor Heather Williams suggested that determining the level of reserves was a political decision and reviewing this was the responsibility of the Scrutiny and Overview Committee. The Chair decided that this issue could be reviewed outside the meeting.

Amending Council resolution

The Committee agreed that Council should consider whether its resolution passed on 18 October 2021 pledging to have the accounts fully up to date by October 2022 needed to be reconsidered.

The Head of Finance agreed to produce a narrative report to accompany future Statement of Accounts.

The Committee noted

- A)** that the audit of the 2019/20 accounts was ongoing;
- B)** the expected timescales for completion of that audit;
- C)** the proposed timescale for getting the remaining accounts and audits up to date.

5. 2019/20 External Audit Plan

Janet Dawson, External Auditor Partner from EY, presented this Audit Plan for the 2019/20 audit.

In response to questioning, Mark Russell explained that the audit of the 2019/20 accounts was progressing more smoothly than the audit of the previous year's accounts, with an improvement in officer support.

Non-domestic rates appeals provision

Janet Dawson explained that international auditing standards required EY to question the expert valuer appointed by the Council. The evidence provided had appeared contradictory and EY needed to assess whether the Council was achieving good value for money with the appointment. Mark Russell added that the likelihood of appeals by businesses differed due to the different information provided and the potential cost varied from £0m to £6m. The Head of Finance expressed his confidence in the work of the appointed expert.

Timetable of key stages of audit

Janet Dawson confirmed that EY were on track to complete the audit as shown in the timetable on page 138 of the report but this could change if unexpected matters arise. Disappointment was expressed at the fact that EY were not carrying out any work in August. Janet Dawson explained that EY had been scheduled to attend the Council in mid-April, mid-June and July but the Council had not completed the necessary work for this to take place.

Auditor fees

Committee members expressed their surprise and disappointment at the level of fees being charged by EY for their work. The Head of Finance explained that the Public Sector Audit Appointments (PSAA) will advise on the level of auditor fees set by EY. Janet Dawson confirmed that EY would not charge the Council extra for delays caused by EY but would charge extra for delays caused by the Council, as this necessitated extra work. Janet Dawson agreed to bring a full and frank report to justify the fees to the next meeting of the Committee.

Additional meetings

The Chair confirmed that he was prepared to arrange extra meetings of the Committee to ensure that the accounts were agreed more promptly. He agreed to consider the setting up of a sub committee at the next Committee meeting in September.

Councillor John Williams, Lead Cabinet Member for Resources, explained that he had always agreed to provide extra resources to accountancy when it had been requested. However, it had proved difficult to recruit suitably qualified officers.

The Committee **noted** the report.

6. Annual Governance Statement 2019/20 and Local Code of Governance

With the agreement of the Chair this item was discussed after agenda item 3.

The Head of Shared Internal Audit presented this item which invited the Committee to approve the draft Annual Governance Statement for 2019/20. He explained the main purpose of the Annual Governance Statement was to show that the Council was complying with the local code of governance. It was noted that the previous Annual Governance Statement of 2018/19 was signed off in March and there had been no significant changes since then.

Track changes

The Head of Shared Internal Audit noted that the track changes had been removed from the report. He offered to provide Committee members with a copy of the document with the track changes included. It was agreed that steps should be taken to ensure that reports retained their track changes in the future.

Risk

The Head of Shared Internal Audit explained that the Council had a positive risk appetite. This meant that it was prepared to take managed risks and be flexible.

Reconciliation

The Head of Finance explained that the Council would be streamlining its reconciliation process by making better use of the available technology, which would ensure that the work was carried out to clear targets in a timely manner.

Progress from the previous Annual Governance Statement

The Head of Shared Internal Audit explained that the Council's Customer Portal was on the future Internal Audit Plan. He also explained that the impact of external factors such as the increase in the cost of living and Brexit were considered.

It was noted that items identified as Opportunities for Improvement could span more than one year and their progress would be reported in the following year's Annual Governance Statement.

Impact of Covid

The Head of Shared Internal Audit stated that the Council had shown resilience and flexibility whilst dealing with the impact of the Covid-19 pandemic. The Council also had business continuity plans in place for future challenges. The Committee praised the work of the Council in responding to the challenges brought by the pandemic.

The Head of Shared Internal Audit explained that if the External Auditors found anything of material significance during the audit of the Statement of Accounts an update might be needed, which would be reported to Committee members.

The Council

Agreed to approve the Annual Governance Statement 2019/20 in advance of the Statement of Accounts.

7. Internal Audit and Corporate Governance Update

The Head of Shared Internal Audit introduced this report, which updated the Committee on topical government risk and control matters. It included a summary of reviews that had been completed in the last quarter, audits in progress and a counter fraud update.

The Committee requested that in future updates from Internal Audit include a covering report.

Guidance on audit committees

The Head of Shared Internal Audit explained that the Chartered Institute of Public Finance and Accountancy (CIPFA) would be issuing revised guidance soon, and it was expected that independent members for Audit Committees would become mandatory.

Counter fraud

The Head of Finance explained that investigations into housing benefits uncovered small discrepancies that did not merit prosecution. He agreed that fraud should be investigated even if the money recovered did not make the action financially viable. High profile successes could discourage others from fraudulent action.

It was noted that due to the Covid-19 pandemic the Council had been unable to fully investigate instances of fraud. This backlog was now being worked through.

The Committee **noted** the report.

8. Internal Audit Plan

The Head of Shared Internal Audit presented this report on the proposed Internal Audit Strategy and Plan for the next six months of the 2022/23 financial year. The report also included a progress update from the past six months' work, the current opinion on the internal control environment, guidance and risk management arrangements and finally the Charter and Code of Ethics.

The Head of Shared Internal Audit explained that he regularly liaised with the Head of Finance to provide updates on work that was being carried out and ensure that work was being properly prioritised. He also aimed to avoid duplicating the work of the External Auditors.

Carbon management audit

The Head of Shared Internal Audit noted that 3.5% of global carbon emissions were due to data processing and it was important to assess the Council's own data processing emissions and investigate ways in which this could be reduced.

Future audits

The Head of Shared Internal Audit informed the Committee that an audit of the Council's Customer Portal was on the forward plan for the end of 2022/2023, as was an audit of budgetary controls. An audit of the Council's land ownership was scheduled for 2023/2024.

By affirmation the Committee **agreed** to approve

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

9. Regulation of Investigatory Powers Act 2000 (RIPA) - Update on Use of RIPA

The Committee **noted** that the Council had not used RIPA surveillance powers since the Committee last met or between the period March 2022 and June 2022.

10. Matters of Topical Interest

Councillor Heather Williams stated that since 2018 she had asked whether the Committee could be provided with a audit effectiveness toolkit.

The Head of Shared Internal Audit explained that a toolkit from CIPFA tailored for Local Government was expected to become available in the late summer.

The Head of Finance stated that training on Treasury Management could also be arranged.

11. Date of Next Meeting

Thursday 29 September at 10 am.

The Meeting ended at 1.05 p.m.
