

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Corporate Governance Committee held on
Friday, 28 September 2012 at 9.00 a.m.

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| PRESENT: | Councillor Francis Burkitt – Chairman Councillor David McCraith – Vice-Chairman | |
| Councillors: | Douglas de Lacey Peter Topping | Ted Ridgway Watt John Williams |
| Officers: | Patrick Adams Alex Colyer Fiona McMillan Sally Smart | Senior Democratic Services Officer Executive Director, Corporate Services Legal & Democratic Services Manager and Monitoring Officer Principal Accountant Financial & Systems |
| External: | Andrew Clewer Neil Gibson Paul King Daniel Harris | Ernst & Young Audit Commission Audit Commission RSM Tenon |

Apologies for absence were received from Councillor Richard Barrett and Mark Hersom.

55. DECLARATIONS OF INTEREST

None.

56. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 27 September 2012 were agreed as a correct record.

57. INTERNAL AUDIT QUARTERLY REPORT

Daniel Harris, RSM Tenon, presented his report, which provided an update on progress made on the internal audit plan for 2012/13 which was approved by the Committee in March 2012. The Chairman praised the new format of the report.

It was noted that management had agreed the recommendations made in the reports for 2012/13, with agreed target dates for implementation.

It was agreed that the Internal Auditor's report on Governance should be shared with the members of the Committee, due to the relevance that the report had to the work of the Committee.

The Committee **NOTED** the report.

58. INTRODUCTION FROM THE COUNCIL'S NEW EXTERNAL AUDITORS ERNST & YOUNG

Andy Clewer, from Ernst & Young, explained that following the Government's decision to go out to tender for the external audit contracts for the public sector in 10 geographical areas, Ernst & Young had been awarded the contract for the southern and the eastern regions. The Audit Commission's role had been reduced to an overseeing function. The officers in the Audit Commission, who had been responsible for auditing the public sector in the eastern region, would be transferred over to Ernst & Young and no redundancies

would be necessary. It was understood that Ernst & Young would provide staff who had transferred from the Audit Commission with stability and job opportunities in a large organisation after about two years of uncertainty. It was expected that Neil Gibson and Paul King would continue to audit the Council, after their transfer to Ernst & Young.

Andy Clewer stated that he considered the Council to be a low risk organisation. He stressed that the aim of Ernst & Young was to provide as much continuity as possible and in that light Paul King and Neil Gibson would continue as the Council's external auditors. It was noted that Ernst & Young used different auditing methods to those practiced by the Audit Commission and the Council could expect to see the use of new technology, particularly with regard to benchmarking.

It was noted that Ernst & Young's audit fee would be approximately 40% less than the charge levied by the Audit Commission. Andy Clewer explained that there were three reasons for the reduction:

- The change in the terms and conditions for staff transferred.
- The removal of the overhead charge for the Audit Commission.
- The tender exercise.

The Committee thanked Andy Clewer for his presentation and informative answers.

59. EXTERNAL AUDIT: ANNUAL GOVERNANCE REPORT 2011/12

Paul King introduced this report, which summarised the findings from the 2011/12 audit and concluded that an unqualified opinion and certificate would be issued and the Council had made proper arrangements to secure economy, efficiency and effectiveness in use of resources. It was noted that the 30 September 2012 deadline for the agreement of the Statement of Accounts had been met. Discussion focused on the two uncorrected errors in the revised financial statements.

Repurchased element of Equity Share housing

Neil Gibson explained that the valuation of the repurchased element of Equity Share housing had been assessed at its social housing instead of its market value. The Executive Director explained that this issue would be rectified for future years. It was estimated that the undervaluation of £943,000 was due to approximately 15 houses.

Minimum Revenue Provision

Neil Gibson explained that a review of the Housing Revenue Account had revealed that since 2004 the minimum revenue provision to cover future debts had been undervalued by a cumulative total of £320,000 and a total of £52,000 for 2011/12. It was understood that the original error had been made under a different team of auditors.

Right to Buy

In response to questioning, the Executive Director explained that the Council had made a provision for an increase in Right to Buys but in the current economic climate the number of properties sold under this legislation had been far less than prepared for.

External audit fees

It was noted that external audit's fees for work on claims and returns was £32,400, which was £3,000 more than expected. It was understood that the Council was claiming back millions of pounds from the Government and so it was important that this area was properly audited.

Guidance booklet

The Committee thanked staff for the production of a "Plain English" guidance booklet on the accounts, which presented the information in an easily understood format.

Members of the Committee unanimously agreed to thank staff for their work with regard to the Annual Governance Report.

The Committee **NOTED** the adjustments to the financial statements included in the report at appendices 2 and 3.

The Committee **APPROVED** the letter of representation on behalf of the Council.

60. FINANCIAL REGULATIONS

The Committee discussed this item, which recommended amendments to the Financial Regulations to allow more flexibility to appoint and remove authorised signatories quickly and easily.

It was agreed that decisions to remove an officer from the list of authorised signatories should not be subject to call-in as any delay could be potentially damaging to the authority.

It was noted that there were a number of grammatical corrections (including modal verbs) required to the proposed amendments to the Constitution and it was agreed that delegated authority should be given to the Legal and Democratic Services Manager to make these changes.

The Committee unanimously

AGREED

A) To amend the final sentence of paragraph 6.4 of the proposed Financial Regulations to "...and the Chief Financial Officer be authorised to delete authorised signatories from the list with immediate effect. Members will be informed through the Weekly Bulletin of any amendments."

B) To delegate authority to the Legal and Democratic Services Manager to make a number of minor grammatical corrections to the proposed Financial Regulations.

RECOMMENDED TO COUNCIL The revised Financial Regulations for approval.

61. APPROVAL OF THE STATEMENT OF ACCOUNTS 2011/12

The Executive Director introduced this report which invited the Committee to approve the 2011/12 Statement of Accounts and agree the letter of representation. It was noted that it was a legal requirement for the Statement of Accounts to be agreed by 30 September 2012.

The Committee

APPROVED The 2011/12 Statement of Accounts.

AGREED The letter of representation.

62. REVISED POLICY: REGULATION OF INVESTIGATORY POWERS ACT 2000

The Legal and Democratic Services Manager presented this report which recommended the amendment of the Council's policy following legislative changes introduced in the Protection of Freedoms Act 2012 which will come into force on 1 November 2012 and to give an update on the use of Regulation of Investigatory Powers Act (RIPA) powers in the

last quarter. The Legal and Democratic Services Manager explained that from 1 November 2012 all local authority surveillance authorised under RIPA will have to be approved by a Magistrate, although it was unclear whether this had to be requested from the courts in person or whether it would be a far simpler procedure. It was noted that the Council had only used these powers once in the last quarter.

The Committee unanimously

NOTED The information contained in the report about the Council's use of surveillance powers in the period July to September 2012.

AGREED The recommendations for amendments to the Council's RIPA policy as laid out in Appendix A.

63. **TREASURY MANAGEMENT BENCHMARKING 2011/12**

The Principal Accountant Financial and Systems presented this report, which showed that the Council had achieved a return of 2.45% on its combined investments, compared to 1.20% for its comparator group and 1.19% for the overall group. In response to questioning the Principal Accountant Financial and Systems assured the Committee that the Council's investments were low risk and the returns were achieved through careful cash flow forecasting, enabling longer term deposits, rather than investing with high risk banks offering higher rates.

It was noted that the interest rates offered by banks to the Council were confidential and it was suggested that although this information had been readily shared with councillors, it might not be possible to put in the public domain. It was suggested that in future the names of the banks which the Council invested with should be made public to enable others to judge the authority's assertion that it did not make high risk investments.

The Chairman congratulated officers on achieving high returns through low risk investments and the Committee **NOTED** the report.

64. **MATTERS OF TOPICAL INTEREST**

None.

65. **DATES OF NEXT MEETINGS**

The Committee **NOTED** the following meeting dates:

- Friday 14 December 2012 at 9am
- Friday 22 March 2013 at 9am

The Committee **AGREED** the following future meeting dates:

- Friday 28 June 2013 at 9am
- Friday 27 September 2013 at 9am
- Friday 13 December 2013 at 9am

The Meeting ended at 10.30 a.m.
