

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 30th May 2017

Time: 2.00 – 4.33 p.m.

Place: KV Room, Shire Hall, Cambridge

Present: Councillors: Councillor McGuire, S Crawford, P Hudson, M Shellens, (Chairman) T Rogers (Vice Chairman) and J Williams

Apologies: Councillor: D Wells

Action

1. APPOINTMENT OF CHAIRMAN/WOMAN AND VICE-CHAIRMAN/WOMAN

Councillor Williams nominated and Councillor Hudson seconded that Councillor Shellens should be re-appointed as the Chairman of the Committee. There being no further nominations,

it was resolved unanimously:

To appoint Councillor Shellens as the Chairman of the Audit and Accounts Committee for the Municipal Year 2017-18.

Councillor Hudson nominated and Councillor McGuire seconded that Councillor Rogers be appointed as the Vice-Chairman of the Committee. There being no further nominations,

it was resolved unanimously:

To appoint Councillor Rogers as the Vice Chairman of the Audit and Accounts Committee for the Municipal Year 2017/18.

2. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies received from Councillor David Wells.

There were no declarations of interest.

3. MINUTES OF THE MEETING HELD ON 21st MARCH 2017

The minutes of the meeting held on 24th January 2017 were confirmed as a correct record and were signed by the Chairman.

Matters arising:

- a) Minute 286 – Matters arising from Minutes 24th January 2017**
- Minute 277 - Ely Archives - officers highlight to Members that capital projects required a margin of error to be built in as**

part of the member training induction programme post-election

It was confirmed that it would be included as part of one of the three Finance seminars. **Confirmation of the date to be provided for the next meeting.**

Tom Kelly

**b) Minute 292 Draft Internal Audit Report – second bullet
Section 106 / Community Infrastructure Levy (CIL) audit**

The Chairman asked when this would be reported back. It was indicated that it would come back to the November Committee. **Action: ensure it was highlighted for the November Internal Audit Progress Report**

Rob Sander-son

c) Minute 292 Draft Internal Audit Report – Delayed Transfers of Care (DTC) - Request for Cross Cutting Review on the processes involved in the multi-agency provision of Home Care / the Care Home sector (and whether recommendations could be made aimed at improving a whole systems approach).

It was indicated that an update on progress and suggestions for the review would be provided as part of the July Internal Audit Progress Report. **Action: there was a request to update the forward plan accordingly.**

Rob Sander-son

d) Minute 294 Ely Archives – Update on Action Plan Progress - Request to provide the name of the Ely Archives Transformation Project Manager

This information had been provided in an e-mail to the Committee on 6th April with the officer identified as Amanda Phillips.

In answer to a question it was confirmed that Corporate Leadership workshop to clearly map the responsibilities to ensure the compliance with policies and procedures for projects across the authority had taken place in April.

**4. AUDIT AND ACCOUNTS MINUTE ACTION LOG FOR MAY 2017
COMMITTEE MEETING**

A) Page 23 Item 1 Minute 214 Registration of land purchased for Highways purposes –revised timetable – further progress report requested for the July meeting

Note: in a conversation with Democratic Services before the meeting the Chairman queried that the further progress report was not currently showing on the forward agenda plan. It was clarified that action had been taken and the lead officer was aware of the need for a report to the July meeting.

RVS to add to agenda plan

B) Page 26 Item 6 Trading Units Update - Council Recruitment Processes being the main barrier to successful recruiting to the Music service

A further update was requested on the 17th May updates included indicating that;

**RVS to
contact
M Gunn**

- i) The finance proposal for managing traded reserves was still being progressed by Matthew Gunn with Amanda Askham and Kerry Newson.
- ii) The Service was awaiting to see what improvements transpired in respect of recruitment practice once the new system came into operation in the Autumn.

C) Page 28 Item 10 Minute 287 Audit and Accounts Minute Action Log a) - Risk 9 on Corporate Risk Register - Further response on definition of what would represent sufficient Infrastructure Funding

On the response provided and the wording at the end of the response reading

“... This risk reflects the fact that there is a significant chance that over time, the available funding will not be sufficient to meet all stated needs”

the Chairman commented that as there was a need for continued new infrastructure to meet the needs of the growing County, **if there was insufficient funding, what other funding options could there be?** **Action: It was agreed a further response would be provided outside of the meeting.**

**Tom
Kelly
/Tom
Barden**

D) Page 33 – Item 13 Risk Management Report - Risk 21 Response to Business Disruption Targets

On the response provided, **Action: the Chairman asked if he could receive more details outside of the meeting on the Council’s Business Continuity Plan in the event of major disruption.**

**Tom
Barden**

E) Page 36 Item 13 Risk Management Report - Risk 26 Increasing manifestation of Busway Defects

With reference to the response and the offer from Bob Menzies to meet the Chairman to provide him with a **confidential briefing**, it was suggested that **this should be extended to the whole of the new Committee**, especially now that there were new Members.

**RVS to
contact
Bob
Menzies.**

F) Page 45 Action Log appendix 3 - Capital Programme Slippage details last line reading: “We do not yet have a breakdown of the 2016-17 underspend to show what value was due to slippage on schemes and what was a true underspend”. Action: The Chairman requested an email update.

Tom Kelly

Subject to the above,

It was resolved:

To note the Minutes Action log update.

5. PROPOSED REVISIONS TO THE TERMS OF REFERENCE FOR THE AUDIT AND ACCOUNTS COMMITTEE

Further to this Committee at its 16th June meeting agreeing to cease oversight of the Assurance Framework, as this change required an amendment to the Terms of Reference and a report to go to the Constitution and Ethics Committee, the opportunity had been taken to undertake a complete review. The report presented proposed changes taking into account best practice guidance issued by the Chartered Institute of Public Finance and Accountancy and for greater clarity, grouping the responsibilities under four distinct headings.

In discussion:

- David Eagles the Pension Fund External Audit Engagement Lead highlighted the need in paragraph 1.7 to replace the words “External Auditor’s annual Inspection letter” with the deleted previous wording reading “Annual Audit letter” explaining that the Audit Commission had stopped undertaking Inspection work in 2010 (*Note: which was when they abolished the Relationship Manager roles and the joint audit/inspection working*) and as a result, there had not been an “Audit and Inspection Letter” since that date. The phrase “Annual Audit Letter” reflected solely the work of the External Auditor and no other parties. **Action change to be made** M Kelly
- **The Chairman noted that there was no reference to “Economy, Efficiency and Effectiveness”.** In response, it was explained that this was implied under other wording but could be added. **Action: The Chairman asked that he should be provided with the proposed wording outside of the meeting.** M Kelly
- Regarding Paragraph 1.3 and the reference to the ‘Head of Audit’ on querying why this was not shown as ‘Head of Internal Audit’ it was explained that this was the legal definition.
- Regarding a query on paragraph 1.11 on why the inspection agencies referred to were not listed, this was due to the number of different agencies involved, of which examples were provided.
- Regarding the wording 1.12 reading “to suggest work for Internal and External Audit” a query was raised regarding whether Internal Audit could refuse a request from the Committee. It was explained that the Service was duty bound to carry out the work if there was a formal resolution, but that before it reached this stage, the officers would provide valid good reasons why a particular request might not be possible.

That having commented, subject to the above amendments suggested,

It was resolved:

- a) To endorse the revised Terms of Reference ahead of submission for the consideration of the Constitution and Ethics Committee.
- b) To agree to delegate to the Chief Internal Auditor and the Chairman the authority to make minor wording modifications outside of the meeting.

6. UPDATE ON THE IMPLEMENTATION OF REVISED PROGRAMME AND PROJECT MANAGEMENT PROCESSES

This report provided the Committee with progress being made on the implementation of the revised project management processes, including the new project management Office system named 'Verto' and the new approaches to Governance which would be aligned to it.

It was highlighted that each project on the new system would have a single, 'Senior Responsible Officer' (SRO) and a single day - to - day decision maker, these roles are usually held by Head of Service level or above.

In discussion questions raised included:

- Querying the timetable for implementation. It was clarified that testing was being undertaken between May and June and the system was expected to go live in September with training of SRO's taking place between September and December.
- At what stage would it become apparent that a project would not be able to deliver its goals? It was explained that the score analysis at the Business Case stage should highlight this information and at that stage during the project, the Business Case could be refreshed. It was clarified that a project could be stopped at any stage if it was not able to deliver its objectives, with the SRO having the authority to make the decision to stop the project.

The Committee having commented on the progress update

Resolved:

To note the update and request a further update on the progress with Verto at the November Committee meeting.

**Julia
Turner /
Amanda
Askham**

7. CAMBRIDGESHIRE COUNTY COUNCIL WORKFORCE STRATEGY

This report provided the Committee with a draft of the Workforce Strategy now titled 'Cambridgeshire People Strategy' which was also to

be shared with Executive Management Teams and SMT before being presented to General Purposes Committee in June, with final approval sought from Full Council in July. The Audit and Accounts Committee was invited to review and comment on the draft.

It was explained that following a progress report to the November 2016 Audit and Accounts Committee, the LGSS Workforce Planning and Strategy team had carried out a comprehensive workforce assessment process as detailed in the report and after extensive consultation had developed the current People Strategy as included as an appendix to the Report.

The People Strategy outlined the approach the Council intended to take to attract, deploy, develop and engage a workforce to deliver current and future priorities. The proposal was that the new 'People Strategy' would span the same timeframe as the current Medium Term Financial Strategy and further to a query raised, it was clarified that like that document, the intention was that it would continue to be a rolling programme document. The Strategy would be accompanied by an Action Plan to be available from October, that would pull together all of the people implications of existing programmes, initiatives and projects undertaken across Cambridgeshire. The Action Plan would be a rigorous document with clear accountability for projects to be reviewed on a quarterly basis. The intention was that it would focus on the first two years of the Strategy and would be divided into the following six strategic themes to reflect the categories in the Strategy:

- Resourcing
- Skills and Behaviours
- Engagement
- Wellbeing
- Organisational Design
- Reward and Recognition

The intention was to have 3-5 priorities each year with the Strategy designed to be flexible where commitments required to be changed.

In discussion, the following issues were raised:

- The view was expressed by several Committee members that they would have liked to have seen more detail on how to achieve the challenges ahead and targets provided, as the Strategy as presented, was written in such a way that no one would disagree with it and was effectively no more than a wish list. It was explained that the detail would be provided in the Action Plan which would contain identified actions, action owners and measurable outcomes.
- In respect of skills and behaviours in the diagram showing how

the various elements of the fitted together there was no link to reward and recognition.

- A question was raised regarding the percentage of employees who left the Council who were aged 24 and under. In response it was indicated that the figure was 50%. This represented modern trends of people wishing to move around more often and that fact that with short term contracts people did not expect to stay in the same job as would have been the case in the past. In addition, in some cases, people's decisions to leave would be influenced by their work colleagues, the management style and the working environment. A recent CIPD Survey suggested that the average length of service was now seven years. HR officers would be looking carefully at those areas where turnover was high, to seek to target specific remedies where practicable and desirable.
- Linked to the above was a query on whether, if training had been provided, there was a requirement to pay this back when leaving in such a short time scale. This was confirmed to be the case.
- **The Chairman suggested that the Strategy should make specific reference to the action plan providing the detail of how to address the issues of retention of council staff in a difficult local government recruitment environment. Further to this he suggested that there should be a specific reference to the fact that the Council was likely to need to significantly reduce the current number of staff due to the budget reductions still to be made in the next few years.**
- **Action: A number of references in the draft Strategy had missing figures which required to be added before the Strategy was submitted to General Purposes Committee and Council.**
These included:
 - A figure to be inserted in the fourth paragraph on the introduction and strategic context page reading "With over XX% of our total budget being spent on employees...."
 - A figure to be inserted on the 'Our People' page for both sickness and average salaries and if necessary, providing a distribution to reflect clerical / manual employees to ensure that those on the very lowest salaries for non-managerial employees were captured, including school secretaries / caretakers (if employed by the County Council).

L Fulcher
/ A
Brether-
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L Fulcher
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The Chairman requested the following details to be provided by e-mail outside of the meeting:

L Fulcher
/ A
Brether-
ton

- the current number of / percentage of agency staff and what if any the target was and any plans to reduce the dependency / their numbers.
- Providing evidence / comparative data to justify the phrase "We

- are one of the best performing authorities in the country”
- Request to see some examples of exit interviews for those who had left after a short period of time.

Having commented on the report,

It was resolved;

To request that a progress update on the action plan for the 19th September Audit and Accounts Committee meeting to be the first of regular updates to the Committee.

**L Fulcher
/ A
Brether-
ton**

8. CAMBRIDGESHIRE COUNTY COUNCIL FEE LETTER 2017-18

The Committee received and noted a Fee Letter report from BDO setting out the proposed fees and programme of work for the 2017-18 financial year on the accounts for Cambridgeshire County Council. The fees proposed were at the standard scale fee as set by the Public Sector Audit Appointment Limited.

It was reported that at the current time nothing had come to the Auditor's attention that would require them to seek approval to amend the scale fee for 2017-18. Should this be required, this would first be discussed with the Chief Finance Officer and would be reported back to the Committee.

It was resolved

To note the proposed fees set at the scale fee of £94,061.

9. CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND PLANNING REPORT – AUDIT FOR THE YEAR ENDED 31 MARCH 2017

This report from BDO highlighted the key audit risks which they believed to be relevant to the audit of the financial statements of the Cambridgeshire Pension Fund for the year ended 31 March 2017. The Committee were asked whether they considered if the risks as set out in the report - which had already been the subject of feedback / input from Council officers - covered the key issues facing the Council.

Key issues highlighted included:

- On page 93 that planning materiality for the pension funds financial statements would initially be on 1% of assets. Materiality for contributions was set at 5% of contributions receivable and for other fund account balances at 7.5% of the greater of total income or total expenditure. The figures had been based on the prior year net assets and income and expenditure figures, adjusted to reflect their expectations gained from interim work performed which would be revisited when the draft financial statements were received.
- The clearly trivial amount was based on 2% of the materiality

level.

- Attention was drawn to page 95 setting out the significant audit risks under the headings below where more audit resource and focus might be required;
 - Management Override – this was a risk mandated by Audit Standards and it was explained that it was not being suggested that there was any heightened risk for the Cambridgeshire Pension Fund compared to any others.
 - Fair value of investments (unquoted investments excluding the Cambridge and Counties Bank) – again it was not being suggested there was any unreasonable risk in terms investment strategy.

Questions raised / responses given included:

- Seeking BDO's opinion on pooling. It was indicated that there were no immediate concerns raised about the arrangement, just potentially different sources of assurance. There was no expectation of requiring a high level of input.
- The calculation of Pension liability only appeared in the Council Accounts not the Pension Fund Accounts and therefore the External Auditors would only be looking to confirm the asset value.

It was resolved:

To agree to accept the Pension Fund Planning Report on the proposed Audit Plan for the year ended 31 March 2017.

10. CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND FEE LETTER 2017-18

The Committee received and noted a Fee Letter report from BDO setting out the proposed fees and programme of work for the 2017-18 financial year. The fees proposed were at the standard scale fee as set by Public Sector Audit Appointment Limited.

It was reported that at the current time nothing had come to the Auditor's attention that would require them to seek approval to amend the scale fee for 2017-18. Should this be required this would first be discussed with the Chief Finance Officer and would then come back to the Committee.

It was resolved:

To note the Pension fee Letter and the proposed fee for 2017-18 which was at the scale fee of £22,410.

11. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR

THE PERIOD ENDING 31ST MARCH 2017

The Committee received financial and performance information to assess progress in delivering the Council's Business Plan and set out the recommendations to be included in the Outturn Report going forward to General Purposes Committee on 13th June.

It was reported that:

- The overall revenue budget position was showing a forecast year-end overspend of +£1.2m, a net decrease of -£0.8m on the overspend reported February.
 - The main movements had been in Children, Families and Adults (CFA), which reporting a £1m increase in its net overspend due to pressures in their demand services Looked After Children (LAC), Learning Disability Services and the staffing element in Children's Services. In response to asking why some of this additional expenditure could not have been identified earlier, some of it was linked to care providers not providing information (for which a lot of work had recently been undertaken to improve information flow going forward), some clients medical and care conditions deteriorating resulting in the requirement for more expensive support - as well as other issues which only came to light as a result of the closedown process.
 - In other areas there had been improvements: Assets & Investments (A&I) and Corporate Services Financing reporting -£0.7m and -£0.4m movements in their forecasts respectively. Finance were reporting a £0.5m increase in grant income.
- Key Performance Indicators; Of the 16 indicators with data available, 9 were on target. All four of the indicators rated 'Amber' were still within 3% of their target values, but the general direction of travel was downwards. Section 5 of the report set out the details.
- The Capital Programme was forecasting a -£2.9m underspend at year end. Children, Families and Adults (CFA), Assets & Investments (A&I) and LGSS Managed had now utilised their full capital programme variations allocations and were reporting further slippage beyond these allocations. Section 6 of the report provided the detail.
- Balance Sheet Health; the original forecast net borrowing position for 31st March 2017, as set out in the Treasury Management Strategy Statement (TMSS) was £479m. This projection had fallen to £399m, down £17m since February. Section 7 of the report provided the detail.

Issues raised included:

- Page 115 - The Chairman drew attention to the significant changes to the forecast variance between February and March for LGSS Managed Corporate and Services Financing. He asked why these had not been discovered earlier? For some of the same reasons as given earlier, it was explained that some issues only emerged during the closedown process.
- The new Vice Chairman asked why the report was providing information that was nearly two months out of date. It was explained that report information from the month was produced around 11 days after the end of the month and there was also lead-in times on report deadlines and the despatch of the agenda.
Action: It was suggested that the Members concerns on the timing of the information being provided should be taken back for further consideration.

Tom Kelly / R Sanderson
- Page 117 Learning Disability Services. There was a request for an explanation of the text reading “an overspend of £2.3m is forecast at year end which is an increase of £0.9m on the position previously reported (in November)” And why it was not reported later than November? It was explained that the main changes occurred in February / March including conclusion of negotiations with providers where fee levels were in dispute.
- Page 118 IRP Report 3.2.4 Corporate Services overspend –
Action: request for Chairman to be sent copy of the referenced ‘CS and LGSS Finance and Performance Report’.

Tom Kelly
- Page 118 IRP Report 3.2.5 IT Managed – “ ...with another £100k due to necessary expenditure on IT Asset Replacement. **There was a request for an e-mail explanation of the detail of this outside of the meeting.**

Tom Kelly (TK)
- Page 120 IRP Report Performance Targets - Additional Jobs created - **request for details of when more up to date data than September 2015 would be available**

TK / Tom Barden
- Page 121 IRP Report Performance Targets – Health Life expectancy at birth Males and Females. There was a query regarding why the date was 2012-2014. It was explained that the Health Committee receives the figures from statistics provided externally that go back three years.
- Page 123 – capital programme LGSS Managed **Action: explanation requested for large forecast variance**

TK
- **Page 128 para 6.7 detailed explanation required for the additional £1.7m funding requirement for the purchase of Vantage House** as there were concerns this could be another Ely Archives type overspend.

TK

- Page 130 – Balance sheet – The Chairman highlighted that the failure on reaching the **targets for the levels of debt outstanding** in both categories was disappointing despite considerable additional effort already being taken in this area. It was explained that account needed to be taken of the security of outstanding debt, such as payment plans, when assessing the debt level. **Action: The Chairman requested a note to explain why the debt recovery figures were still underachieving.** TK
- Cross referencing to page 220 of the Code of Corporate Governance Report request for assurance that the Business Plan Savings Tracker (BPST) will be included in future reports. **Assurance was provided that the BPST would be included in the report at a minimum of a quarterly basis.** TK
- **Page 136 - Reserves and Provisions - with reference the text in the notes column under Capital Reserves – Corporate - reading “Section 106 and Community Infrastructure Levy balances”** the Chairman asked whether it would all be spent. It was explained that it was all earmarked and that the detail was in the Capital changes of funding table under paragraph 6.6. **The Chairman suggested it would be useful to provide a cross reference note in future.** TK

It was resolved:

To note the recommendations to General Purposes Committee to be included within the Outturn 2016/17 Integrated Resources and Performance Report, due to go to GPC on 13th June 2017 as listed on the front sheet of the report.

12. ANTI FRAUD AND CORRUPTION, ANTI MONEY LAUNDERING AND WHISTLEBLOWING POLICIES

The Committee received revised draft Anti-Fraud and Corruption, Anti-Money Laundering and Whistleblowing Policies for comment and approval. Amendments suggested by the Committee would go forward for final approval to the General Purposes Committee at their revised June meeting date.

The Committee had received draft versions of the Anti-Fraud and Corruption and Anti-Money Laundering policies at its meeting on 21st March and the current policies as set out as appendices to the officer's report had been updated to reflect the suggested changes.

In discussion points raised included.

As a general point bearing in mind the size of the documents included as appendices that the Committee had been asked to review, the Chairman requested **that future review reports should just include those extracts of a policy that were being recommended to be altered.** **Action: to note**

**D Wilkin-
son**

On Fraud and Anti-Corruption Policy

- Page 169 paragraph 2.4 setting out definitions of fraud and corruption, with reference to the first bullet reading 'theft of cash and assets' the Chairman questioned why the definition did not include bribery? It was explained that bribery was not necessarily fraud and the current bullets sought to define theft. Bribery was defined elsewhere in the document.
- Page 171 (page 33) Roles – Audit and Accounts Committee responsibilities – **The Chief internal Auditor agreed to look again at the wording in the second part of the first para** reading: ".....but also the assurance that the processes work effectively for individual cases" and get back to the Chairman with some revised clarifying wording. **D Wilkin-son**
- Page 172 last line under the heading 'Heads of Service / Managers / Head Teachers' reading "Checks must be carried out at least annually to ensure that proper procedures are being followed, in order to inform the directorate annual assessment."
Action: the Chairman requested an e-mail update regarding the areas that had been checked as part of the annual review. **M Kelly**
- Page 182 (44) A question was raised regarding when **the Anti-Fraud Leaflets and posters were last reviewed.** The response was that they were reviewed last August / September and were reviewed annually and therefore would be reviewed in August / September. **Proposed Action: add an Annual review report to the Forward Work programme.** **R Kelly / R Sander-son**
- **Page 181 (44) More detail of the Formal Quality Assurance procedure steps to be provided in para 4.3.** **M Kelly**
- **Page 181 (44) More explanation / detail to be added of who makes the decision to pursue prosecution.** **M Kelly**

Whistle Blowing Policy

- Page 193 paragraph 7.8 reading "Audit and Accounts Committee is responsible for assuring the Council that the risks across the Council are being identified and managed. It is therefore responsible for ensuring that this policy is robust in identifying concerns and that the identified risks are addressed. It is also responsible for ensuring that the principles within the policy are upheld" The Chairman asked the Committee if they were comfortable with the wording as he had concerns regarding the "unknown unknowns". The Chief Internal Auditor assured him and the Committee that they were not responsible for unknowns and were only responsible for ensuring that oversight systems were in place.

- **Page 194 para 8.2.4 - Request that as stated in the draft Policy, all new members should receive a copy of the Whistle Blowing Policy** (*Note: subject to final approval by GP Committee approval in June*) **M Kelly**
- **Page 194 - In terms of the annual report to identify any patterns of concern and assess the effectiveness** the Committee referred to paragraph 8.1 of the Whistle Blowing Policy, it was agreed that this should be in the form of a short report May / June time. **Action add to Forward agenda plan** **RVS add to May Committee 2018**
- **Page 194 - In terms of the annual review of the Policy the Committee referred to paragraph 9.1 of the Whistle Blowing Policy, it was agreed that this should be in the form of a short report in February / March time. Action add to Forward agenda plan** **RVS add to March Committee**

It was resolved to:

Approve the Anti-Fraud, Anti Money Laundering and Corruption and Whistleblowing policies subject to the inclusion of the changes suggested.

13. DRAFT ANNUAL GOVERNANCE STATEMENT 2016/17 AND DRAFT CODE OF CORPORATE GOVERNANCE

The report presented the Draft Annual Governance Statement 2016/17 And Draft Code Of Corporate Governance for consideration before sign off by the Chairman and Chief Executive. It also presented an update to the Council's Code of Corporate Governance in line with the 2016 update to the CIPFA / SOLCE Delivering Good Governance in Local Government.

Issues raised included:

- **Page 199 - Covering report paragraph 3.2 - Cllr Rogers was concerned on fourth bullet that it was grammatically incorrect. This would be looked at again.** **D Wilkin-son / M Kelly**
- **Page 202 first para second sentence to be sub divided into three bullets for greater clarity.** **DW/ MK**
- **Page 203 add a note after the text in the para titled 'Executive Decision Making and Scrutiny' to reflect that following a decision at the 23rd May Council meeting** following the local elections in the second / third line after the current words reading "...by at least 8 members ..." add the words "of General Purposes Committee" *Note This reflects that only General Purposes Committee members now have the power to call in and scrutinise a Service Committee's decision.* **DW/ MK**
- **Page 206 para 3 add the words "increase in demand and inflation" at the appropriate place in the text.**

- As the Committee delegated the power to make any additional minor changes to the text to the Chief Internal Auditor in consultation with the Chairman and the Vice Chairman the proposed revised document will need to be run before them for any further changes before seeking the signatures of CE and Councillor Shellens.

The Committee having considered and reviewed the documents,

Resolved to:

- a) Agree the AGS at Appendix A was consistent with the Committee's own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.2. of the report.
- b) To approve the revised draft Code of Corporate Governance at Appendix B.
- c) To delegate to the Chief Internal Auditor in consultation with the Chairman and Vice Chairman the authority to agree minor changes to both documents following the meeting.

**D
Wilkin-
son /
Cllr
Shellens
/ Cllr
Rogers**

14. INTERNAL AUDIT ANNUAL REPORT FOR THE PERIOD 2016/17

The Public Sector Internal Audit Standards require that the Chief Internal Auditor presents an annual report to the Authority's Audit and Accounts Committee for both its consideration and to be made aware of the Chief Internal Auditor's opinion on the state of the Internal Control Framework within Cambridgeshire County Council. In addition, the Annual Internal Audit Report forms part of the evidence that supports the Authority's Annual Governance Statement 2016 – 17.

The annual report is required to incorporate the opinion; a summary of the work that supports the opinion; and a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement plan. As a result, the report was divided into four main sections:

- Head of Internal Audit Opinion 2016-17
- Review of Internal Control
- Internal Audit in 2016-17
- Internal Audit Performance and Quality Assurance

The Chief Internal Auditor's opinion had been derived from an assessment of the range of individual opinions arising from assignments contained within the risk-based Internal Audit Plan, taking into account the relative materiality of these areas, and management's progress in addressing control weaknesses.

As a result of the audit work undertaken during the 2016/17 financial

year, The Chief Internal Auditor provided an opinion of **good** assurance. He explained that the internal control environment (including the key financial systems, risk and governance) is well established and operated effectively in practice. In addition, there were no outstanding significant issues arising from the work undertaken by Internal Audit. However, as a qualification, he explained that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The level of assurance therefore remained at a similar level to the 2015/16 assurance.

Issues arising included:

- With reference to paragraph 2.1.3 reading “In 2016/17, the Internal Audit service has operated with an adequate level of resource to deliver an annual audit opinion.” the Chairman asked what would happen if in the Chief Internal Auditor’s opinion there was no longer adequate resources. In response, it was explained that he would address the issue with both the Section 151 Officer and the Chief Executive.
- On page 239 (page 9) table1 – Implementation of Audit Recommendations – **the Chairman highlighted two out of three of the final totals were incorrect and required correcting..** M Kelly
- Para 4.2.6 IT - **General Controls Review** – on the **recommendations agreed with the service regarding removing users access where roles changed, there was a request for an update on progress to be included in the July Internal Audit Progress report.** M Kelly
- Para 4.4.1 – Risk based reviews - **Action: examples to be sent to Chairman** M Kelly
- Para 4.6.4 – National Fraud Initiative data matching exercise – Following up on identified matches which was currently underway – **Action: Request for update to be included as part of the January Internal Audit Progress report.** MK / RVS
- Para 4.11.1 Action: **a second example of recommendations of Internal Audit have reduced bureaucracy to be provided to the Chairman outside of the meeting.** (Procurement recommendations was provided as an example at the meeting). M Kelly
- Page 252 Summary of Completed Audits – with reference to Bus Services Operators Grant – one member suggested that the number of changes being proposed from the Total Transport pilot may potentially impact on the Bus Service Operator’s Grant (BSOG) and could make it a more complex audit. **(Note: This helpful advice would be passed on to the relevant Internal Auditor)** M Kelly
- Page 254 School Audits on a general query regarding the schools

where only moderate assurance had been provided it was clarified that all the schools had actions plans for the recommendations given and that Internal Audit undertook follow up action to check on progress.

- Page 254 School Audits – in response to a question on whether the results of the Audits were passed on to Ofsted, it was clarified that they were not, as they operated different checking processes. However, as it was a public document the information would be available to them.

That having considered and commented on its contents;

It was resolved:

To approve the Internal Audit Annual Report 2016/17.

15. AUDIT AND ACCOUNTS FORWARD AGENDA PLAN

- To note the published Forward Plan which would be updated for the additions requested at the meeting.
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16. DATE OF NEXT MEETING – 2.00 P.M. 25th JULY 2017

Chairman
25th July 2017