

Audit and Accounts Committee: Minutes

Date: 22nd July 2022

Time: 2.00pm – 3.17pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors H Batchelor (substituting for A Whelan), C Boden, S Ferguson (substituting for S Taylor), N Gay (Vice-Chair), N Gough (substituting for G Wilson), M McGuire and A Sharp

Officers: Dawn Cave, Stephen Howarth, Tom Kelly and Fiona McMillan; Mairead Claydon, Mark Hodgson (EY), Michelle Parker and Ellie Tod (virtually)

73. Apologies for Absence and Declarations of Interest

Apologies for absence were presented on behalf of Councillors Taylor, Whelan and Wilson, with Councillors Ferguson, Batchelor and Gough substituting respectively. Apologies were also presented on behalf of Stephen Moir.

There were no declarations of interest.

74. Petitions and Public Questions

There were no petitions or public questions.

75. Public minutes of the Committee meeting held 31st May 2022

It was resolved unanimously to approve the minutes of the Committee meeting held 31st May 2022.

76. Committee Action Log

The Action Log was noted. It was confirmed that the Procurement training for Members would be taking place at 12:00 noon on 7th October.

77. Draft Cambridgeshire County Council Statement of Accounts 2021/22

The Committee considered the draft Cambridgeshire County Council (CCC) elements of the Council's Statement of Accounts 2021-22. The draft version of the Accounts needed to be formally published by Sunday 31st July. When published, the group accounts would be included, including the This Land accounts and the Pension Fund accounts. The latter would be considered by a meeting of the Pension Fund Committee on 28th July. The Annual Governance Statement, considered at the last Committee meeting was also included.

The completed, signed and audited accounts would be reviewed by Committee later in the year, once the External Audit process had been completed. The main External Audit fieldwork was scheduled to take place from September to November, but Members were aware that these timescales could be delayed by issues that arose, either in the audit or resulting from national guidance.

The Head of Finance highlighted that the financial accounts should be considered alongside the Management Accounts, which were prepared on different bases, with the two types of accounts providing complementary types of information. Management Accounts were presented to all Service Committee meetings for their respective service areas, with the Strategy & Resources Committee receiving the Integrated Finance Monitoring Report, which monitored the Council's overall financial position.

Attention was drawn to the Income and Expenditure Statement, Balance Sheet and movements in Reserves. The Council's Reserves had increased during 2021/22, largely due to unspent grant income (primarily relating to the Covid-19 pandemic). In addition, the Pension Fund liability had decreased in 2021/22, according to the actuarial calculations. It was noted that movements in the Pension Fund liability do not affect the Council's General Fund or other Usable Reserves. The Cash and Debtors position was relatively stable compared to previous years.

Members raised the following questions:

- Queried when the 2020/21 accounts would be signed off, and also asked for an update on earlier years' value-for-money opinions. Officers confirmed that the 2020/21 accounts were in the final stages, and should be signed off in the next few weeks. Since the last Committee meeting, the Committee Chair, Chief Finance Officer and Chief Executive had engaged with BDO on their outstanding value-for-money opinion, who had committed to deliver the remaining work by the end of August. BDO had since provided a detailed timetable, and agreed to give fortnightly updates. There had been some slippage in BDO's original timescale, but they had reprogrammed the work and advised they were still on course to complete by the end August, and the final stages of that process were noted. The Vice-Chair commented that the situation with BDO continued to be unsatisfactory, especially as timescales were still slipping. For these reasons he believe it was not acceptable for BDO to be receiving their full fee, and he felt that this issue should be raised again;
- A Member noted that a key recent national improvement to local authority accounts was the creation of a narrative report, but he was disappointed that the narrative report in this set of accounts was 27 pages long. Given that the narrative report was supposed to be easily digestible by the average voter, he asked if consideration could be given to providing a more concise report in future. Noting these comments, officers agreed to review the narrative going forward, but pointed out that the guidance on what should be covered in the narrative was quite detailed, and the County Council was a complex organisation;
- A Member requested that at an appropriate point a particular note was made formally to Committee of the City Deal accounting and the way it has been treated, as there had been considerable concern expressed by a small number of individuals. These included very serious allegations made of both deliberate fraud, and that the Council's going concern position had been concealed. He said that these allegations were groundless but had been raised consistently over a number of years. He suggested that specific mention be made in a future report about those allegations, which references that both the Committee, External Audit and officers were convinced that those allegations were without

foundation. Noting that there was a section in the accounts regarding City Deal, it was suggested that this could be highlighted when the final accounts were brought to Committee;

- A Member queried the small increase in borrowing, and also the increase in Usable Reserves. He also queried if there would be a reconciliation between the Financial and Management Accounts. Officers advised that the borrowing had increased due to the increase to the capital programme. The analysis work on Usable Reserves had yet to be completed, and would be better explained in final version of accounts. It was confirmed that there would be a reconciliation between the Financial and Management Accounts;
- A Member spoke favourably on the narrative which he felt provided a good overview. He queried the substantial increase in the net pension liability, and officers confirmed that this was mainly due to asset values increasing by more than expected, and this could be highlighted in the narrative report. There was also a change in liability resulting from actuarial adjustments, with inflation and discount rates being the main drivers. The Member commented that the Pensions change was one of the largest and he felt it was critical this was drawn out in the narrative;
- There was a discussion about the timing of the Committee meeting, noting that there were always tensions between scheduling the meeting before the accounts publication deadline, to enable changes to be made, but the reports had to be circulated a week before the meeting, and there would inevitably be changes prior to the meeting and publication.

The Committee resolved unanimously to:

note and comment on the preliminary draft of the CCC elements of the Council's Statement of Accounts 2021/22 prior to their incorporation into the Council's full draft Statement of Accounts 2021/22 which are due to be published by 31st July.

78. Membership of the Audit & Accounts Committee

Members considered a report detailing how independent appointees could be co-opted to the Committee, utilising the existing Constitutional arrangements. The proposed approach would support the Committee's function of providing objective assurance to Members, citizens and stakeholders, on the adequacy of the risk management framework, the internal control environment and the financial and service performance of the Council. It would also be in line with the recent CIPFA position statement and emerging national policy direction. The advantages of independent appointees were outlined, and the report set out a proposed process for appointing independent members, including an honorarium or basic allowance.

There was general support for the report proposals, and the following points were raised by Members:

- The Vice Chair expressed strong support for the proposal, and felt that identifying the right skillset areas and individuals would be key;

- Another Member agreed that involvement of external experts could be very valuable, as they bring a different perspective. He felt that experience or Risk Management was more important than experience of local authority accounts;
- A number of Members indicated that they felt an honorarium or basic allowance was appropriate;
- A Member asked how the Terms of Reference for the independent members would be defined, and how soon the proposed process would happen. The Monitoring Officer advised that she had just led on this process for Peterborough City Council, where three independent members had been appointed. She felt that those appointments had improved the engagement of all Committee Members. There had been considerable interest in the vacancies and an exceptionally high standard of applicants, following national and local advertisements. The proposed specification was set out in Appendix 2, and there was a lot of guidance available from CIPFA. It was noted that Peterborough had a non-voting independent Chair, and the Vice Chair held the casting vote;
- In response to a Member question, it was confirmed that the Constitution currently allowed up to three independent appointees, and whilst the intention was to appoint two, if the standard of applicants was exceptional and there was a desire to elect three, this could be considered by the Committee. It was noted that independent appointees would be subject to Members' Code of Conduct, and would need to be reappointed periodically;
- Members noted the process proposed in terms of selection and appointment of independent members, which would involve a private interview process, with some Members of the Committee participating. Some points would need to be agreed by full Council in due course, including the issue of an allowance or honorarium;
- Members stressed the importance of the independent appointees' terms not running parallel to Councillors' terms, to provide continuity.

The Vice Chair suggested that recommendation (b) be amended to include an opposition Committee Member representative in the detailed specification process. It was agreed that Councillor Boden would undertake this role.

It was resolved unanimously to:

- a) Support the co-option of two independent (apolitical) persons to this Committee, in accordance with proposal in this report;
- b) Delegate to the Section 151 Officer and Monitoring Officer, in consultation with the Chair, Vice Chair of this Committee, and Cllr Boden, authority to agree a detailed specification for the role and invite applications, taking account of any matters decided by Full Council, in due course.

79. Internal Audit Progress Report

The Committee received a progress report on Internal Audit, for the period to 11th July 2022.

Presenting the report, officers highlighted the following areas:

- The Healthy Child Programme Section 75 Agreement audit had a limited opinion on systems control;
- The proposed flexible Internal Audit Plan for the next four quarters. This was subject to change and had been updated to reflect resourcing constraints resulting from a number of leavers and secondments in 2021/22;
- An update on outstanding management actions. There was one outstanding essential action relating to the completion of the IT Health Check and associated work required for the Council to obtain Public Services Network (PSN) certification. This was close to being resolved;
- There would be a fuller update on Risk Management at the September meeting, after the Corporate Risk Register had been considered by the Strategy & Resources Committee;
- The next National Fraud Initiative (NFI) exercise would commence in October 2022, when data will be uploaded onto the NFI portal by the Council. The matches;
- identified from this data would be released by the NFI for the Council to review in January 2023;
- The final Administration of the Pension Fund report has now been received from Internal Audit colleagues at West Northamptonshire Council (WNC), and this gave an opinion of substantial assurance over the adequacy of the system, and satisfactory assurance over compliance with the system. The Payroll Transactions report was still awaited.

A Member asked how schools were selected and if they were all Local Authority controlled. It was confirmed that a spreadsheet of all Local Authority maintained schools, including nurseries, were risk rated based on number of factors. Officers liaised with the Schools Intervention Service, focusing on governance and financial concerns. Another Member commented that the diversity of conclusions in this audit was striking. Officers advised that in addition to the wider report, each school had its own individual report and action plan, which had been presented to governors, and implementation of actions would be followed up by the Schools Finance Team.

With regard to the Healthy Child Programme Section 75 Agreement, it was confirmed that there were different providers for Cambridgeshire and Peterborough, but they were both managed by Public Health. A copy of the Cambridgeshire Internal Audit team's report had been provided to the Peterborough Internal Audit team, with whom there was an information sharing agreement. In response to a question on the lack of detailed pricing schedule, it was confirmed that there was an action for the Public Health team to develop a more detailed pricing schedule, as

without that, some other elements of the contract could not be implemented. Officers had also referred the service that manage the Section 75 Agreements to the Head of Diligence, who could provide valuable support given his experience.

With regard to the Payroll audit, it was confirmed that this had not yet been received. A Member asked if a fuller report could be received in September on not just process and accuracy of lead authority audits but also timeliness, as the current situation was not acceptable. Officers advised that the Chief Internal Auditors of the lead authorities were collectively addressing this, to ensure that there was not a repeat of the current situation, and that more detail on the scope of the payroll and pensions audits would be presented to the next Committee meeting. The Member commented he was concerned about Payroll control failing, as it was an area of high risk, so it was very important that this was resolved as soon as possible. The Chief Financial Officer commented that he and S151 officer colleagues from North Northamptonshire, West Northamptonshire and Milton Keynes Councils had had a deep dive into Payroll issues in June, looking at the Service Improvement Plan and agreeing additional resource to address capacity, resilience, and reconciliation issues. However, it was acknowledged that some of the issues were longstanding and would take time to address. In terms of managing the overall risk, Cambridgeshire County Council's Finance team had an action plan with Payroll to ensure there was local understanding of the reconciliation risk.

A Member asked about work undertaken on the coordination of single person discount Council Tax fraud work. It was noted that there had been some Internal Audit work in this area but the project had not yet formally commenced, and the Committee would be informed once there was progress. The Member welcomed this update and commented it would be helpful to have some estimation on the VFM gains for Cambridgeshire County Council so that the marginal utility of this work could be assessed.

In response to a Member question, it was confirmed that individual Members could request individual reports produced by Internal Audit, rather than just the recommendations and conclusions, acknowledging that some of the information would need to be redacted.

In response to a question on the Lead Authority Board, it was confirmed that this was the governance system which had succeeded the LGSS Joint Committee, with individual authorities leading on different work areas. Whilst the Lead Authority Board was an officer board, interest by this Committee was a useful device to energise responses to concerns raised.

The Vice Chair thanked the Interim Head of Audit for her excellent work in a period of difficult circumstances due to resource constraints.

It was resolved unanimously to note and comment on the report.

80. Audit and Accounts Committee Agenda Plan

Members noted the Committee Agenda Plan.