

# AUDIT AND ACCOUNTS COMMITTEE



**Friday, 22 July 2022**

**Democratic and Members' Services**  
Fiona McMillan  
Monitoring Officer

**14:00**

New Shire Hall  
Alconbury Weald  
Huntingdon  
PE28 4YE

**Red Kite Room, New Shire Hall, Alconbury Weald PE28  
4YE**  
**[Venue Address]**

## AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**  
*Guidance on declaring interests is available at*  
<http://tinyurl.com/cc-conduct-code>
2. **Petitions and Public Questions**
3. **Public minutes of the Audit and Accounts Committee held 31st  
May 2022** **3 - 14**
4. **Committee Action Log** **15 - 16**
5. **Draft Cambridgeshire County Council Statement of Accounts  
2021-22** **17 - 22**
6. **Membership of the Audit & Accounts Committee** **23 - 28**

<b>7.</b>	<b>Internal Audit Progress Report</b>	<b>29 - 72</b>
<b>8.</b>	<b>Audit &amp; Accounts Committee Agenda Plan</b>	<b>73 - 74</b>

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The Audit and Accounts Committee comprises the following members:

Councillor Graham Wilson (Chair)   Councillor Chris Boden   Councillor Nick Gay  
 Councillor Mac McGuire   Councillor Alan Sharp   Councillor Simone Taylor   Councillor Alison Whelan

Clerk Name:	Dawn Cave
Clerk Telephone:	01223 699178
Clerk Email:	dawn.cave@cambridgeshire.gov.uk

## Audit and Accounts Committee: Minutes

Date: 31<sup>st</sup> May 2022

Time: 2.00pm – 5.00pm

Place: New Shire Hall, Alconbury Weald

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

Officers: Janet Atkin, Alison Balcombe, Dawn Cave, Mairead Claydon, Steve Cox, Alex Deans, Tom Kelly, Stephen Howarth, Dean Leather, Fiona McMillan, Stephen Moir and Sue Procter; Mark Hodgson (EY); Lisa Blake and Barry Pryke (BDO) (*officers attended for relevant items*)

### 55. Notification of appointment of Chair and Vice Chair

The Annual Council meeting held on 10th May agreed to appoint Councillor Wilson as the Chair and Councillor Gay as the Vice Chair for the Municipal Year 2022-23.

The Chair extended a special welcome to Mairead Claydon, as the Interim Head of Audit, and thanked Neil Hunter for all his work in that role.

### 56. Apologies for Absence and Declarations of Interest

Apologies for absence were presented on behalf of Councillor Boden, Councillor French substituting. There were no declarations of interest.

### 57. Petitions and Public Questions

There were no petitions or public questions.

### 58. Public minutes of the Committee meetings held 7<sup>th</sup> and 18<sup>th</sup> March 2022

It was resolved to approve the minutes of the Committee meetings held 7<sup>th</sup> and 18<sup>th</sup> March 2022.

### 59. Committee Action Log

The Action Log was noted.

### 60. External Auditors' Value For Money Conclusion for year ended 31<sup>st</sup> March 2018

The Committee considered a verbal update on work undertaken regarding Value for Money issues by the former external auditors, BDO, in relation to their final audit for the year ended 31<sup>st</sup> March 2018.

The Chair welcomed Lisa Blake and Barry Pryke of BDO to the meeting, and explained that further to the finalisation of BDO's Value for Money Conclusion in December 2021, they would be providing an update on the objections received in 2017 and 2018. He advised the BDO representatives that the Committee was concerned that the objections were still not determined, following the update received at the November 2021 Committee.

Ms Blake of BDO explained that following on from the finalisation of the VFM conclusion in December 2021, further work needed to be completed before a statement of reasons could be issued on the wide-ranging objections relating to the 2016-17 and 2017-18 Accounts. Those objections mainly related to contracting and procurement processes. She was pleased to report that all audit enquiries and audit work in respect of those objections had now been completed. Whilst the original intention had been to complete the statement of reasons by the end of April, that timeline had not been met. She explained that this was an iterative process, requiring support from BDO's Quality Assurance and legal teams, and there was also a requirement for BDO to provide a draft statement of reasons to PSAA before it was issued to either the Council for checking for accuracy, or to the objector.

Thanking Ms Blake, the Chair asked what timescale BDO were currently working to, as the Committee was increasingly frustrated that this work had not yet been concluded. Ms Blake advised that they were anticipating that the process would be complete by the end August. She was unsure of turnaround times for PSAA, but had received prompt responses from them in the past. The Chair responded that a further three months seemed an unnecessarily long time. Ms Blake apologised for BDO's failure to meet the April deadline, and outlined the numerous pressures on audit resource, both locally and in the wider market. She commented that the August date was realistic, and it would be issued before then if at all possible, but she was unable to commit to an earlier date at this stage.

A Member asked if BDO had any other LA clients in a similar position, i.e. waiting for similar historic issues to be resolved. He commented that it was a very unsatisfactory situation from the Council's perspective, and also for the objector who remained dissatisfied that his concerns had not yet been adequately addressed. Ms Blake advised that she did not have any other outstanding issues within her own portfolio that dated back this far, but more widely within BDO there were audited entities who had outstanding objections for previous years. PSAA maintain performance statistics, but she acknowledged that it was not unusual for responses to objections to take this long, and added that this was a particularly complex and wide ranging objection, with high level allegations that needed to be dealt with sensitively and confidentially. Acknowledging this, the Chair commented his understanding was that all objections had been considered, it was now a matter of writing and issuing the response. Ms Blake outlined the processes that needed to be completed before the response could be issued.

A Member queried the usefulness of any conclusions that would be drawn given amount of time elapsed, and whether it was reasonable for BDO to continue to claim fees. Ms Blake acknowledged that the recommendations were not as timely as they could have been, but there had been regular discussions with the Council throughout the process, and BDO had been in contact with current and former senior officers regarding the report recommendations, to ensure actions could be taken before the objections were finalised. Whilst there had been delays in the final reporting, Ms Blake maintained that good value audit work had been undertaken, and this was specifically about responding to electors' rights rather than the VFM judgement.

The Chief Executive clarified that he had not been approached by BDO to discuss the objections since taking up post. He agreed that it was disappointing that the Council was in this invidious position, which he had not experienced with audit partners in other public sector bodies, and he requested confirmation in writing that these matters would be concluded by August at the latest. Ms Blake confirmed that discussions had taken place with the previous Chief Executive, and that she was happy to confirm in writing BDO's commitment to the proposed timescales.

Noting that EY had taken over the External Audit role in 2018-19, a Member asked Mark Hodgson of EY about the four years of VFM conclusions for those subsequent years, which was required following BDO's conclusion of this work, observing that this was potentially subject to more objections. Ms Blake clarified that BDO had completed the VFM work, and that the outstanding work related to the objection received, and that this did not impact on the VFM conclusions for the years BDO audited. The Director of Finance commented that objections received covered similar areas, so there was a sequential impact, and discussions with EY indicated that they could deal with previous years' VFM considerations relatively quickly or concurrently once in a position to proceed. Mr Hodgson agreed, and advised that EY would not accept any objection as valid until the BDO work had been concluded. The Chair noted this sequential impact on subsequent years' audits and suggested BDO reconsidered the fees charged for this work.

The Committee resolved unanimously to note the update.

## 61. Financial Reporting and Related Matters

Members considered a report setting out progress with the Statement of Accounts for the year ending 31 March 2021, and matters relating to the production of accounts for 2021-22, which was linked to the following item on the external audit report.

The external audit for 2020-21 had not been concluded, but good progress was being made in most areas. A national issue around accounting for infrastructure assets had further delayed completion of the final Statement of Accounts. This issue was impacting on a large number of local authorities nationally and predominantly related to the valuation of roads and highways. It was the subject of an ongoing CIPFA consultation on updating the CIPFA Code of Practice.

The report also provided an update on the City Deal accounts. Since the March Committee meeting, EY and the Council had concluded on the relevant accounting treatment and had determined that the appropriate treatment was to recognise each year's individual allocation as a separate grant in the Comprehensive Income and Expenditure Statement. The accounting entries for this approach had been set out in the March Committee report.

In March 2021 the Government issued regulations that amended the deadlines for publication of draft and final accounts for the financial years ending March 2021 and 2022. Therefore, as with the accounts for 2020/21, the date for publication of the draft accounts for 2021/22 was currently 31<sup>st</sup> July 2022, and the audit should be completed by 30<sup>th</sup> September. Members also noted that the government had recently commenced a consultation on amended regulations that would extend the

deadline for having completed, audited accounts to 30<sup>th</sup> November, rather than 30<sup>th</sup> September.

Discussing the Highways/infrastructure issue, Members noted that this was purely an accounting issue, and did not impact on the value of the Council's usable assets.

A Member queried the appropriateness of the current accounting treatment of PFI schemes, and whether there was any latitude to bring these agreements to an end. Officers indicated that they were content with the way PFI schemes were accounted for, and all contracts were reviewed as at the appropriate review points under contract

It was resolved unanimously to:

1. note and comment on this report;
2. note the external auditor's draft Audit Results Report;
3. approve the accounting policies set out in Appendix A, including the two changes proposed to the current accounting policies set out in section 3.5 of the report.

## 62. Audit Results Report – Addendum – Year ended 31<sup>st</sup> March 2021

The Committee considered a report on action taken in response to the findings of procurement weaknesses identified in the external auditor's value for money opinion.

In March, the Committee had considered an Audit Results report with assurances and procedures that applied at that time. EY sought to bring two key issues to the Committee's attention, which had arisen subsequently:

- Infrastructure assets, covered in the preceding report, had been raised as a new significant risk. This impacted on all authorities whose 2020-21 accounts had not yet been signed off, and had the impact of potentially altering the external audit opinion;
- A decision had been reached on how to deal with the City Deal grant, with the grant now spread equally over five separate years.

Other areas included:

- Significant adjustments in relation to the valuation of Property, Plant and Equipment;
- The audit of This Land Ltd by external auditors RSM had now been completed. There were some audit differences which would be highlighted in the financial statements as this impacted on the Group Accounts.

In relation to Infrastructure assets, a Member observed that those authorities whose accounts had already been signed off for 2020-21 would be on a different basis to those who were yet to sign off. The External Auditor advised that he was anticipating that the threshold would be increased to £2Billion, which would only

impact on a few authorities. It was confirmed that consideration was being given as to whether the Prior Year Adjustment would be merited under the requirements of the Standard.

Officers commented that in terms of Infrastructure assets, two routes were available to the Council: either they could wait for the outcome of the CIPFA consultation, or the finalised audit opinion from EY could be sought, with the proviso that there would be a limitation of scope in relation to infrastructure assets.

This approach would enable the Council to progress to the next set of accounts which were upcoming, further time to address accounting issues with infrastructure assets. This would be a route to signed accounts under the March 2022 delegation from this Committee.

Officers were pleased that a way forward had been concluded on City Deal, building on the discussions at the last Committee meeting, and the proposed treatment would be more intuitive for users of the accounts.

In response to a query on the BDO timescales, EY advised that they had commenced work on VFM conclusions for the 2018-19, 2019-20 and 2020-21 accounts, and whilst they were behind timetable, this work should be completed relatively quickly. In terms of outstanding objections, BDO's statement of reasons needed to be reviewed before decisions could be made, and those decisions would be taken individually and sequentially.

In response to a question of the impact of cost issues arising from BDO being so late, officers advised that there was an entitlement under legislation for BDO to pass on the costs of both objections and additional procedures to the Council. So far BDO had not presented an estimate of any extra costs, and officers were asked to keep Members updated on cost issues.

It was resolved unanimously to:

- a) receive the update on the actions taken and planned in response to the identified procurement weaknesses;
- b) note and comment on the County Council's actions taken and planned as set out in this report.

## 63. Major Infrastructure Delivery

The Committee considered an update on the improvements in the Major Infrastructure and Delivery service, now known as the Project Delivery service.

Members noted the background to the report, and the considerable improvements that had been introduced and embedded over the previous 18 months, including the various processes put in place to meet the audit recommendations. The report demonstrated that the Service had come a long way over that timeframe, and that the Service was continually looking to improve. It was noted that the original audit had resulted in a large number of recommendations, and that a follow up audit of the implementation of the actions would be carried out by the Internal Audit team later in the year. The Executive Director highlighted that there had been significant cultural change within the relevant teams, and he was appreciative of Internal Audit's agreement to continue to monitor progress and undertake a further review.

In response to a question on whether lessons learned from this Internal Audit could be transferred to other Council services, senior officers agreed that there were learning opportunities across the Council, especially within project and contract management, and they were working with Human Resources and Learning & Development colleagues to improve employees skills. Some points e.g. ensuring that contract management included the robustness of supply chain partners and processes, had already been picked up in Contract Procedure Rules, and there was clearly more learning that could be picked up across the Council, especially in relation to capital programme delivery.

It was resolved unanimously to:

- a) note and comment on progress to date;
- b) delegate the final matters for closeout to the Executive Director Place & Economy;
- c) note that a follow up audit of the implementation of the actions will be carried in Quarter 3 of this year.

#### 64. Performance Management Framework

The Committee considered a report on the revised and refreshed Performance Management Framework and its role in the Council's governance framework. The Performance Management Framework set out how the Council manages performance in delivering services against its overarching priorities. It describes performance management activity at three levels: strategic (Committees and senior officers), operational (directorate and senior management teams) and individual (based on the Our Conversations framework).

The new framework sets out consistent and standardised approach to performance management. It proposed that Strategy & Resources Committee should receive quarterly reports on strategic KPIs, organised by key priorities, and determined by the annual Business Planning cycle. Service Committees should also receive regular reports on more detailed KPIs relating to their areas of oversight.

It was noted that Audit and Accounts Committee was not included in the performance framework detailing role of various Committees. Officers confirmed that this was an oversight, and the role of the Committee would be included in the final document. It was also noted that indicators were confirmed for some but not all priorities. Officers advised that they had been working with Service Committees to identify indicators, and a progress report would be considered at the June Strategy & Resources Committee. Currently only around half of the indicators had been confirmed.

There was a query on indicators adopted, and the degree to which the Council could direct or indirectly influence specific areas, e.g. Universal Credit claimants levels. Officers confirmed that these points had been discussed at length at the Member workshops, which had also considered what happened when an indicator related to more than one Committee.

A Member asked if these were the strategic, high level indicators, and whether there would be more substance at individual Policy and Service Committee level. It was confirmed that this was the case, and the Performance Framework as presented

covered only the strategic indicators. More detailed indicators would be established by both Policy and Service Committees and management teams.

A Member commented that much could be gained from reviewing the performance framework which other authorities had in place, and this comparison could be more valuable than assessing and defining the Council's position. Officers confirmed that benchmarking between authorities against standardised indicator definitions was a very important part of the service planning which was used across the whole Council. However, whilst other authorities' performance frameworks had been reviewed, Cambridgeshire's framework needed to reflect unique points such as the Our Conversations process. The Member stressed the importance of not letting KPIs get in the way of delivering services, which should be the priority. Officers agreed, and commented that KPIs were an important part of the quality assurance process, but there were a range of more granular tools available to managers to deliver services and monitor performance.

The Chief Executive observed that any approach to performance management needed to be proportionate, with a balance between inputs, outputs and outcomes. Officers were working with Members to ensure the right approach was adopted, and that it was not too burdensome.

It was resolved unanimously:

- a) to note and comment on the Performance Management Framework;
- b) In future, to review the performance report after it has been presented to Strategy and Resources Committee quarterly

#### 65. Consultants and Agency Worker Data - Quarter 2 2021-2022 and Quarter 3 2021-2022

The Assistant Director for HR Services presented an update on the use of consultants and agency workers in Quarter 2 (July to September 2021) and Quarter 3 (October to December 2021). Two consultants were engaged via Opus in Q2, and no consultants were used in Q3. The report also set out information on all interims and consultants engaged outside of these arrangements and coded to the consultancy code.

The report also set out the usage of agency workers and interims during the reporting period, which showed a decrease from Q2 to Q3, which was mainly attributable to the pandemic. A significant number of contractors had been supporting public health, but this number would decrease moving forward. Approval processes were being updated in relation to employees, consultants, interims and agency workers, enabling increased scrutiny of spending prior to their engagement.

Whilst observing the reduction in numbers, it was noted that 9.4% of workforce costs were being spent on agency workers and interims. Even allowing for the pandemic, a Member commented that this seemed high. Officers explained that the percentage was still high and should eventually return to historic levels of around 6%. However, it was quite possible the percentage would increase for some time, due to recruitment challenges across the board. Recruitment and retention were challenging nationally, especially in the public sector, and labour shortages would

continue to impact. The Committee was reassured that whilst the workforce picture was bleak, the Council continued to use creative methods to recruit and retain staff.

A Member was unclear on how some of the consultants were counted, and whether they should be more appropriately coded to projects e.g. Bar Hill Surface water Alleviation Project. Officers agreed to review this point with Finance colleagues.  
Action required.

There was a Member query as to whether senior interims could appoint other interims/agency workers. It was confirmed that the policy on appointments had been improved and tightened up following an audit.

It was resolved unanimously to note the current data on the use of consultants and agency workers/interims.

## 66. Debt Management Update

Members considered an update on the current debt position.

The debt position had improved by £4.8M to £17.5M from the position reported in July 2021. There was a positive picture across most Directorates except Adult Social Care, which had increased by £1.8M. The bulk of that increase related to the increased timeframe now being experienced in the completion of some formal processes such as Court of Protection (COP), Power of Attorney and settlement of clients' estates. These processes had previously taken around 16 weeks, and were now taking much longer, on average. In response to a Member question, it was confirmed that this was a national issue beyond the Council's control, and the delays were common not only to local authorities across the country, but also the private sector deputies.

A Member observed the Debts classified as pending write-off had reduced from £305K to £71K, and asked whether this had meant that the Council had written off that amount rather than collected payment. It was confirmed that much of that figure would have been write-offs rather than payment collected. It was noted that write offs for 2021/22 were fairly low at £868K, which represented less than 0.5% of revenue raised within the same period.

Members noted that there was a general improvement in the CCG area, reflecting the good work undertaken by Finance colleagues. All pre April 2020 debts had been resolved, and work had commenced on the post April 2020 debts.

In terms of collection rates, these were around 94% for the first three quarters of 2021-22, reducing to 77% for the last quarter. However, this was because many charges were not yet due at the time of reporting, and that figure was improving and was expected to be in line with the previous quarters.

Officers outlined the considerable work that had been undertaken implementing the Service Improvement Plan. One particular success had been the work undertaken to reduce the number of invoices sent out by post, which had reduced by 11% to 66%. A specific campaign had been undertaken with schools, and was now being rolled out in Adult Social Care. Improvements to self service processes and encouraging

budget holders to raise Purchase Orders and provide full information were also noted.

Whilst applauding the reduction of invoices sent out by post, a Member asked whether emailed invoices were appropriate for some client groups e.g. the vulnerable and elderly. Officers confirmed that they were working with social workers to ensure that a more bespoke, sensitive approach was adopted with those client groups.

In response to a Member query on the CCG, it was confirmed that information would be migrated across to the new system. Relationships with NHS colleagues were being forged and maintained, and systems established to ensure that this transition was implemented as smoothly as possible.

It was resolved unanimously to:

- a) note the actions and approach being taken to manage income collection and debt recovery;
- b) agree that a further update will be provided on the position at the end of 2022/23.

#### 67. Update on the response to the External Auditor's value for money opinion (2017/18) and findings of procurement weaknesses

The Committee considered a report on the actions taken in response to the findings of procurement weaknesses identified in the external auditor's value for money opinion.

Members were reminded that in November 2021, BDO had presented their findings on procurement weaknesses, which included a number of recommendations which the Council had already taken forward, having been highlighted by both BDO and the internal audit team. The arrival of the Head of Procurement in January 2022 had been particularly helpful, bringing fresh perspectives and impetus. The Committee noted areas where progress had been made. A key area was the mandatory procurement training for all officers, which was sequenced to take place after the Contract Procedure Rules had been updated.

The Annual Report on procurement activity illustrated the different procurement routes available. It was noted that all waivers over £10K were reviewed and considered by the Director of Finance.

A Member noted that the third recommendation agreed by Committee in November, related to Member training. Officers confirmed that some training on procurement had been included in the Member induction process in 2021, and there would be some specific training later in the year, once the training for officers had been delivered. Officers would be working with Democratic Services colleagues on this issue. Members stressed the importance of all Members accessing that training.  
**Action required: Director of Finance/ Head of Democratic Services.**

It was noted that as part of follow up internal audit work in relation to consultancy procurement had detected a further historic example of a consultancy appointment where the accumulated value exceeds the key decision threshold, but where Committee approval appeared not to have been given in advance. Additionally, there

had been more recent examples of non-compliance with Council policies around information retention, internal approvals and payment incentivisation. Responding, officers confirmed that by its nature, audit work was retrospective, and contracts were selected based on current expenditure, where there was inevitably a time lag. In some cases, there was a lack of evidence to give assurances, but this did not mean that the correct procedures had not been followed. Having a central storage location for contracts over £100K would be helpful going forward in providing this evidence.

The Chief Executive confirmed that the Corporate Leadership Team had discussing the Internal Audit findings on procurement, and compliance with contract management formed part of Directors' performance objectives.

It was resolved unanimously to:

- a) Receive the update on the actions taken and planned in response to the identified procurement weaknesses;
- b) Note and comment on the County Council's actions taken and planned as set out in this report.

## 68. Draft Annual Governance Statement 2021-22

Members considered the draft Annual Governance Statement (AGS) for 2021-22. This document would ultimately be signed off by the Chief Executive and the Leader of the Council.

The AGS was a statutory document which formed part of the Annual Statement of Accounts. It summarised the extent to which the Council was complying with its Code of Corporate Governance, i.e. the processes and procedures in place to enable the Council to carry out its functions effectively, including details of any significant actions required to improve the governance arrangements in the year ahead. The Internal Audit team had worked with senior managers to ensure areas in their control had been complied with. Whilst the Internal Audit team coordinate production of the AGS, content was led by senior management, especially the Director of Finance.

A minor correction was suggested with regard to a reference to "all major parties", in terms of political representation on the Audit & Accounts Committee, and it was agreed that this should be changed to "all parties".

It was resolved unanimously that the Annual Governance Statement at Appendix A is 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.

## 69. Internal Audit Annual Report

The Committee considered the Annual Internal Audit Report, which formed part of the evidence supporting the Annual Governance Statement.

The Committee was reminded that the Public Sector Internal Audit Standards required an Annual Report be produced. The Report also formed part of the Quarter 4 report to Committee. The former Head of Internal Audit had given a "satisfactory" assurance, which was a slight reduction from last year's "Strong satisfactory

Assurance". This reduction in opinion reflected a known Payroll control issue that was detailed in the report.

In discussion, it was noted:

- 47 outstanding actions had been highlighted, but 18 had been closed since the last meeting, and many related to Major Infrastructure Delivery, leaving 19 outstanding actions;
- the report also included an update on Risk Management including the Risk Register;
- that the draft Pensions report would be presented to a meeting for the Pension Fund Committee on 10<sup>th</sup> June 2022;
- In relation to the Payroll issues, it was noted that West Northamptonshire Council provided this service. The Chief Executive advised that he had already scheduled a meeting with the Director of Resources and Assistant Director of HR on this issue, as issues of poor performance of the Payroll service had been flagged up, and those senior officers were following up with West Northamptonshire Council accordingly. It was agreed that this would be recorded as an action so that it could be followed up at future meetings.  
Action required;
- There was a discussion on This Land, and a Member suggested that the This Land Board had been unaware of the audit concerns. Officers detailed the two outstanding recommendations in relation to This Land, and advised that This Land were aware of concerns, but they would ensure Members' comments were relayed to the Chair of This Land;
- observing that the level of risk had been reduced on the Corporate Risk Register for the Council having insufficient budget to deliver agreed short and medium corporate objectives (02), a Member observed that the Council still faced many challenges, such as recruitment and retention, and he was surprised this risk level had been reduced. Senior officers assured Members that the budget position and forward forecast was monitored closely by the Corporate Leadership Team, and whilst there were still pressures, the Council was not under the same pressures as during the pandemic, hence the reduction of risk level.

It was resolved unanimously to review and comment on the Annual Internal Audit Report.

## 70. Audit and Accounts Committee Agenda Plan

Members considered the Committee Agenda Plan.

It was confirmed that the Committee would be updated in due course on the situation with regard to HACT, FACT and ESACT in due course, and that that matter was commercially and legal sensitive.

The Committee noted the Agenda Plan.

## 71. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the report contains exempt information under Paragraphs 1 & 5 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to any individual, and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

## 72. Manor Farm Update

Returning to public session, the Chair announced that the Committee had agreed unanimously to publish the Mazars report, as redacted, following the meeting, and gave the following statement [News - Cambridgeshire County Council](#)

## Audit and Accounts Committee Minutes - Action Log

This is the updated action log at 14<sup>th</sup> July 2022 and captures the actions arising from the most recent Audit and Accounts Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 31 <sup>st</sup> May 2022					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
65.	Consultants and Agency Worker Data - Quarter 2 2021-2022 and Quarter 3 2021-2022	Janet Atkin	Query on lack of clarity on how some of the consultants were counted, and whether they should be more appropriately coded to projects e.g. Bar Hill Surface water Alleviation Project. Officers agreed to review this point with Finance colleagues.	To be addressed in the next report (November 2022 Committee).	In progress
67.	Update on the response to the External Auditor's value for money opinion (2017/18) and findings of procurement weaknesses	Michelle Rowe/Dawn Cave	Organise Procurement training for all Members	Date scheduled for Autumn.	Completed
69.	Internal Audit Annual Report	Tom Kelly/ Janet Atkin	Monitoring Payroll performance (West Northamptonshire Council)		Ongoing



## Draft Cambridgeshire County Council Statement of Accounts 2021/22

To: Audit and Accounts Committee

Meeting Date: 22<sup>nd</sup> July 2022

From: Chief Finance Officer and Director of Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Outcome: This report presents a preliminary draft of the Cambridgeshire County Council (CCC) elements of the Council's Statement of Accounts 2021/22 for review. The draft Accounts are provided as Appendix A to this report (to follow).

Recommendation: The Audit and Accounts Committee is recommended 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 31<sup>st</sup> July.

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### Member contacts:

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## 1. Background

- 1.1 The annual Statement of Accounts is the financial representation of all activities that the Council has been directly or indirectly involved with, over the course of the 2021/22 financial year. The publication of the Statement of Accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how the Council has used the public funds for which it is responsible.
- 1.2 The full Statement of Accounts includes:
  - the accounts related solely to the Council;
  - group accounts consolidating the accounts of the Council with those of the Council's wholly owned Housing Company, This Land Ltd;
  - the accounts of the Cambridgeshire Pension Fund; and
  - the Annual Governance Statement
- 1.3 This paper only covers the accounts reporting the activities of the Council itself. The accounts for This Land Ltd are currently being audited and a consolidated set of group accounts will be produced ready for publication by 31<sup>st</sup> July. The draft accounts of the Cambridgeshire Pension Fund are being reviewed by the Pensions Committee on 28<sup>th</sup> July prior to their incorporation into the full draft Statement of Accounts. The draft Annual Governance Statement was considered by this committee on the 31<sup>st</sup> May 2022.
- 1.4 Accounts are prepared under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2020/21, which is based on International Financial Reporting Standards (IFRS) adapted for public sector use.
- 1.5 The signing, approval and publication of the accounts is set out in Section 9 of the Accounts and Audit Regulations 2015. The accounts will require further certification and approval by this committee at the conclusion of the audit; any material changes arising from the audit will be reported back to future meetings of the Audit Committee, prior to approval. The independent auditor's report (ISA 260 report) will also be provided for this committee to consider.
- 1.6 The timelines in the Accounts and Audit Regulations 2015 were initially amended by Statutory Instrument for the financial years beginning in 2020 and 2021 only. The revised timelines, which applied to these 2021/22 accounts, required the draft Statement of Accounts to be published by 31<sup>st</sup> July and the audited Statement of Accounts to be completed by the 30<sup>th</sup> September 2022. Recognising the current capacity issues in the sector, the regulations have been amended again, extending the deadline for audited accounts to 30<sup>th</sup> November for 2021-22 only, and then reverting to 30<sup>th</sup> September for the following six years.

## 2. Main Issues

- 2.1 This section of the report outlines some of the key matters for the Audit Committee's attention.

### Audit & Accounts Committee review

- 2.2 The revised deadlines for the publication of the draft accounts for 2021/22 mean that the

Committee has the opportunity to comment on the preliminary draft accounts this year prior to their publication. The Chief Finance Officer must clear the draft accounts for publication before 31<sup>st</sup> July and will take into account comments raised by the Committee.

## Public Inspection

- 2.2 The Accounts and Audit Regulations 2015, as amended, determine that the accounts and other related documents have to be made available for public inspection for 30 working days which must commence on or before the first working day of August 2021.
- 2.3 During this period local electors may also raise questions to the Council's external auditor, Ernst and Young LLP (EY), on the 2020/21 Statement of Accounts as part of the public inspection process.

## Process for completion of the Accounts

- 2.4 2021/22 follows on from an extremely challenging environment for the last two years to complete both the 2019/20 and 2020/21 accounts. The 2019/20 accounts were not finalised until 31<sup>st</sup> March 2021 which created a significantly shortened period available to the closedown team to focus on preparing for the 2020/21 accounts, including implementing any changes to processes and procedures that were established as necessary following on from previous years. However, the team worked hard to implement the high priority changes required, including those with the most significant impact which resulted in some significant steps forward in the efficiency of the production process, as well as the resulting output. In particular, significant progress was made working with the Strategic Assets team to quality review the underlying data used by, and output property valuations provided by, the Council's external valuers before their inclusion in the Accounts.
- 2.5 Despite the significant steps forward with the quality of the draft 2020/21 accounts, unfortunately they are still not signed off, due largely to two specific issues. The detailed review of the accounting for the Council's City Deal grant has now been concluded, however the national issue with accounting for infrastructure assets is yet to be resolved. This committee has previously been updated in detail about both of these areas.
- 2.6 The Redmond review of Local Authority financial reporting and external audit in 2019 raised issues around capacity and market fragility within the sector. These issues are once again reflected in the proposed audit timing for the audit of CCC's accounts for 2021/22. Under EY's preliminary plan, the audit will not commence until mid-September 2021 with the main work undertaken between September and November. This means that the final audited accounts are unlikely to be published to the 30<sup>th</sup> November deadline set out in the Accounts and Audit (Amendment) Regulations 2022. In this circumstance, the regulations require the Council to publish a notice stating that it has not been able to publish the statements of accounts and the reasons for this until such time as the audited accounts can be published.

## The Statement of Accounts 2021/22

- 2.7 The CCC element of the Statement of Accounts is comprised of the following sections:
  - The Narrative Statement
  - Statement of Responsibilities

- The Core Financial Statements:
  - Comprehensive Income and Expenditure Statement (CIES)
  - Balance Sheet
  - Movement in Reserves Statement (MIRS)
  - Cash Flow Statement
- Notes to the Core Financial Statements
- Accounting Policies
- Glossary.

2.8 The Narrative Statement is required by the Code and provides a summary of the most significant matters reported within the accounts, and of the Council's financial position. It is intended to outline the overall context within which the Council is operating by providing commentary on the Council's priorities, its performance in 2021/22 and the inclusion of a summary of the medium-term outlook and approach to value for money.

2.9 The Core Financial Statements provide the overview in financial terms on an accounting basis of the Council's performance, financial worth, reserves and cash flow as at 31 March 2021. The highlights from the core statements can be found in the Executive Summary to the Narrative Report with more detail provided within the Narrative Report itself. Paragraphs 2.15 to 2.23 also outline some of the key highlights for the Committee's consideration.

### Highlights from the Accounts and Key Considerations

2.14 The draft Statement of Accounts 2021/22 are presented in Appendix A to this report (to follow). The following sections set out some of the more significant items in the draft accounts and provide additional commentary.

#### General Fund Reserves and Earmarked Reserves

2.15 For the year ended 31 March 2021 the Council experienced a revenue budget underspend of £18.8m which has been transferred to the General Fund to balance the financial position for 2021/22. The Council has a strategy which is applied to restore or reduce the General Fund reserve to its planned level as part of its annual business planning process.

2.16 The Council's Earmarked Reserves (that is reserves set aside for a specific purpose) increased by £11.4m during the year to £153.6m as at the 31st March 2022. This is largely as a result of levels of unspent grant which have been transferred to earmarked reserves for use in 2022/23 and beyond. This balance includes £33.6m of unspent grants received for ongoing expenditure in relation to the Covid-19 pandemic, and for these grants we have an expenditure plan factored into our medium-term financial strategy.

#### Balance Sheet

2.17 The Council has Net Assets as at 31st March 2022 of £613.8m.

2.18 The net asset position is predominantly due to the value of long-term assets at £2,033.1m, and within that the value of Plant, Property and Equipment is £1,685.2m. Current assets total £220.0m.

- 2.19 The Council's liabilities (both current and long-term) total £1,639.4m with the largest components both being long-term liabilities related to the Pension Fund liability (£547.4m) and long-term borrowing (£628.0m).
- 2.20 The sum of the total assets and total liabilities provides the net asset position of the Council which is matched by the total reserves comprising Usable Reserves of £246.3m and Unusable Reserves of £367.5m.

#### Pension Fund Liability

- 2.21 The pension liability calculated by the actuary has decreased by £59.1m in 2021/22.
- 2.22 Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an accrued benefits funding method in which the Actuarial Liability makes allowance for projected earnings, providing an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and so on. The liability is therefore outside the control or influence of the Council and is reported in accordance with International Accounting Standard 19 – Employee benefits.
- 2.23 Movements in the Pension Fund liability do not affect the Council's General Fund or other Usable Reserves.

#### Audit Fees

- 2.24 CCC's accounts for 2020/21 have not yet been signed. EY have reported that additional fees of £53,915 were incurred for the audit of these accounts, prior to the commencement of the value for money work (see below), which related to changes in work required to address professional and regulatory requirements and scope associated with risk. In addition, a further fee to be negotiated will be due in relation to specific one-off work for accounting for Covid-19 related Government grant income and City Deal grant, recoverability of receivables and the assessment of the Council's going concern position.
- 2.25 The scale fee for the audit of the 2021/22 accounts is £72k. The Redmond review of local authority financial reporting and external audit made recommendations around the fee structures for local audit which nationally have reduced by 40% since 2015. The government has provided £15m of additional funding in 2021/22 to relevant local bodies to meet the anticipated rise in audit fees in 2021/22, driven by new requirements on auditors including the 2020 Code of Practice, and to enable local authorities to develop standardised statements of service information and costs as recommended by the review. The Government have committed to a further £15m per year for the next three years.

### 3. Next Steps

- 3.1 The importance of the Statement of Accounts to the authority is high and although it is a historical backward facing document, the closing of the accounts is vital to the financial planning process as it confirms the starting position for the 2022/23 financial year.
- 3.2 Following review of the draft CCC accounts by the Audit and Accounts Committee, the draft accounts will be updated and combined with the other elements of the full draft Statement

of Accounts which the Chief Finance Officer must certify before 31st July. The draft accounts will then be published on the Council's website and the public inspection notice will be published.

- 3.3 EY have scheduled the main audit fieldwork for September to November 2022. Assuming the audit progresses to plan and there are no significant issues identified, it will conclude in EY issuing an opinion on the Statement of Accounts and certification that the final document presents fairly the financial position of Cambridgeshire County Council for the year ending 31 March 2022. If the national issue on infrastructure assets is not concluded in time, it is possible that this will again require a Limitation of Scope opinion.
- 3.4 Updates on the status of the audit will be provided at future Committee meetings as the audit progresses.

#### 4. Alignment with corporate priorities

##### 4.1 Communities at the heart of everything we do

There are no significant implications for this priority.

##### 4.2 A good quality of life for everyone

There are no significant implications for this priority.

##### 4.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

##### 4.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

##### 4.5 Protecting and caring for those who need us

There are no significant implications for this priority.

#### 5. Source documents

##### 5.1 [The Accounts and Audit Regulations 2015](#)

##### 5.2 [Accounts and Audit \(Amendment\) Regulations 2022](#)

## Membership of the Audit & Accounts Committee

To:	Audit & Accounts Committee
Meeting Date:	22 July 2022
From:	Director of Resources & Chief Finance Officer
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	Co-opting independent appointees to the membership of this Committee could be supportive to the Committee's function of providing objective assurance to the Members of Cambridgeshire County Council, and its wider citizens and stakeholders, on the adequacy of the risk management framework, the internal control environment and the financial and service performance of the Council.
Recommendation:	The Committee is invited to <ul style="list-style-type: none"> <li>a) Support the co-option of two independent (apolitical) persons to this Committee, in accordance with proposal in this report;</li> <li>b) Delegate to the Section 151 Officer and Monitoring Officer, in consultation with the Chair and Vice Chair of this Committee, authority to agree a detailed specification for the role and invite applications, taking account of any matters decided by Full Council, in due course.</li> </ul>

### Officer contact:

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### Member contacts:

Names: Councillors Wilson and Gay  
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 Tel: 01223 706398

## 1. Background

- 1.1 Part 3B of the Council's Constitution permits the Audit & Accounts Committee to appoint up to three people as non-voting co-opted members of the Committee. The Committee is to determine whether the appointments are for a specified period or for specific meetings or items. The co-opted person must have particular knowledge or expertise of the functions of the Committee and cannot be a member of any political party. To date, this provision of the Constitution has not been utilised.
- 1.2 The *CIPFA Position Statement on Audit Committees in Local Authorities and Police* represents professional advice to Councils on the role and functioning of effective audit committees. Although this is not statutory guidance with legislative force, it is helpful for the County Council to consider the statement and have regard to the advice. CIPFA state that effective Audit Committees are characterised by, amongst other things, a membership which is representative of the Council politically but which acts with balance, objectivity, independence of mind and with effective training and expertise. CIPFA recommend committees include an independent (or apolitical) member. Research by the National Audit Office in 2019 found that, at that time, 32.7% of local authorities' audit committees included at least one independent (apolitical) member.
- 1.3 As part of the response to Sir Tony Redmond's independent national review of the arrangements for local audit, on 31 May 2022, the *Department for Levelling Up, Housing & Communities* announced that it will legislate to make audit committees compulsory for all Councils and it will also require that at least one independent member be appointed to each audit committee. Although this reform is subject to the proviso "when parliamentary time allows", and there have been ministerial changes since 31 May 2022, it is a timely prompt for the County Council to consider activating the constitutional clause for the appointment of co-opted independent Members.
- 1.4 The Audit & Accounts Committee is charged with providing independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and governance processes. The Committee's role includes overseeing both internal and external audit and approving the statutory financial statements on behalf of the authority. This is a busy, sometimes technical, remit, especially where the Council faces additional complexity to best serve our residents, and in order to deliver our strategic vision of a greener, fairer more caring Cambridgeshire, at pace.

## 2. Proposal

- 2.1 One year after the committee reforms introduced by the incoming joint administration, as well as subsequent to the outcomes of the LGA Peer Challenge follow-up and arrival of a new Head of Paid Service in 2022, the Council has commissioned a review by the Centre for Governance and Scrutiny (CfGS). This review includes the functioning of the Audit & Accounts Committee, and is due to report in late August. This is the last scheduled meeting of this Committee during the review stage. There is therefore an opportunity to signal this committee's intentions around co-opting independent member(s), utilising the existing constitutional clause.

- 2.2 Any constitutional changes arising from the CfGS review will be matters for the Constitution and Ethics Committee, and thereafter Full Council, to consider and decide. To aid these considerations and to signal this Committee's position, a suggested addition to the terms of reference of this Committee is included at appendix 1 for discussion.
- 2.3 Professional guidance, and informal feedback from elsewhere in the sector, where co-options have already been made, suggests that independent members can bring valuable benefits to Audit Committees. They bring alternative perspectives and expertise, can interact with technical information to challenge and support officers and auditors in different ways and are detached from the Council's executive and scrutiny functions, party politics and constituency concerns.
- 2.4 It is proposed that the Committee now seeks to co-opt two independent (apolitical) members. This will position the Council well to comply with any future legislative changes and to meet the aspirations of the CIPFA Position Statement; above all it should be a valuable addition to our governance arrangements. Two rather than one co-options are proposed in the first instance in order to provide resilience in case of the absence of a single independent (apolitical) member and with a view to the breadth of expertise that multiple co-options might allow.
- 2.5 Often this Committee seeks to decide matters through consensus and without dividing to vote, and according to current constitutional provisions, co-opted Members would not be entitled to vote at Committee. There are mixed approaches in other Councils. One view is that this is appropriate to reflect that Members are ultimately accountable for the decisions of the Authority and to avoid interruption of proportionality requirements. The counter argument is that co-opted Members should feel fully empowered and part of the Committee. Whilst any national legislation is awaited, it is suggested that independent members join the Committee on a non-voting basis. It is open to Full Council to revise the constitution on this point in future. It is also proposed that appointments should be for four years in the first instance, with an absolute term limit of eight years.
- 2.6 The Council would engage in an open advertised recruitment process in order to fill the roles, with a final recommendation to the Committee being made by a panel comprising the Chair, Vice-Chair and an Opposition Member, advised by chief officers. An outline of a person specification for this role is shown in appendix 2. This would be further refined and agreed with the Chair / Vice Chair under delegation, were a recruitment to proceed.
- 2.7 As it currently stands the constitution permits that only reasonable expenses be reimbursed for co-opted Members (of any committee) and no remuneration would be payable. There are varied approaches nationally and some authorities have advertised similar roles as voluntary, whereas other Councils, including geographical neighbours, pay an allowance or honorarium of £500 - £1500 per annum plus expenses. Although a significant aspect of the role should be regarded as *pro bono*, acting in the interests of local taxpayers, there may be merit in considering a comparable allowance to those seen elsewhere, especially if a number of authorities prepare for the upcoming legislative changes with similar recruitments. The County Council has not previously co-opted on to this Committee, and given the time commitment and expertise required it is posited that an annual allowance of £1500 would be appropriate in this case. If there is support in the Committee for this approach, Full Council could agree the constitutional amendment necessary to enable advertisement in the early Autumn, or alternatively the Independent Remuneration Panel

could give the matter broader consideration later in 2022 at their existing scheduled review point for review of allowances for Policy and Service Committee Chairs and Vice-Chairs.

### 3. Significant Implications

#### 3.1 Resource Implications

There are minor resource implications arising from this report, referred to in section 2.7. The financial impact would be contained within existing budgets.

#### 3.2 Procurement/Contractual/Council Contract Procedure Rules Implications

No significant implications

#### 3.3 Statutory, Legal and Risk Implications

Commentary on the statutory position is included at section 1.2

The addition of co-opted Members to the Committee could support the Council's risk management overview.

#### 3.4 Equality and Diversity Implications

No significant implications

#### 3.5 Engagement and Communications Implications

No significant implications

#### 3.6 Localism and Local Member Involvement

No significant implications

#### 3.7 Public Health Implications

No significant implications

#### 3.8 Environment and Climate Change Implications on Priority Areas

No significant implications

Have the resource implications been cleared by Finance? Yes  
Name of Financial Officer: S Howarth

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer Yes  
Name of Legal Officer: F McMillan

### 4. Source documents

#### 4.1 [CIPFA's Position Statement](#) [2022 Role Specification – Independent Audit Committee Member – Peterborough City Council](#)

*Appendix 1 – Draft additional text for inclusion in the Committee’s terms of reference*

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**Independent Members of Audit and Accounts Committee**

The Audit and Accounts Committee will include up to three independent co-opted non-voting members sitting alongside elected members. Independent members will be appointed by the Committee to serve an initial 4-year term, which may be extended with the agreement of the Committee up to a maximum of 8 years.

The role of an Independent Member is to support the Council’s Audit and Accounts Committee in its role to provide independent assurance to the members of Cambridgeshire County Council, and its wider citizens and stakeholders.

Independent members will be expected to actively participate in meetings of the Audit and Accounts Committee and demonstrate independence, integrity, objectivity and impartiality in their decision-making. They will support reporting as required to Full Council, including the Annual Audit and Accounts Committee report.

Independent members will contribute to the work of the Audit and Accounts Committee in its role in reviewing the Council’s financial affairs, including making reports and recommendations, overseeing internal and external audit arrangements, reviewing and scrutinising financial statements, seeking assurances of compliance with the Treasury Management Strategy and practices and reviewing and assessing the governance, risk management and control of the authority.

## Appendix 2 - *Independent Person of the Audit and Governance Committee Role Description*

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1. To engage fully in collective consideration of the issues considered by the Audit and Accounts Committee, taking into account a full range of relevant factors, including legislation and supporting regulations, professional guidance (e.g. that issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)), and the advice of the Council's Section 151 Officer.
2. To participate fully in the discharge of all the committee's functions, as set out in the Committee's terms of reference and the Constitution.
3. To promote the concept of proportionate, effective risk management and internal control throughout the organisation; and to champion the work of Internal Audit, External Audit and Risk Management.
4. To participate in periodic review of the overall effectiveness of the committee, and of its terms of reference.
5. To ensure that the minutes of Audit Committee meetings accurately record decisions taken.

### Skills, Competencies, Person Specification

1. Demonstrates up to date knowledge, skills, and a depth of experience in the fields of audit, accounting, risk management and performance management. Experience gained working in a large, or public sector, organisation.
2. Knowledge of the Council's strategic priorities and objectives. Understanding of the complexity of issues surrounding audit and risk management in local government.
3. Works to high behavioural standards, demonstrating honesty, probity, and the highest level of integrity in conduct.
4. Operates consistently and without bias.
5. Is an effective role model; supports appropriate behaviours and challenges opinions and advice where appropriate, separating major issues from minor ones.
6. Contributes proactive, proportionate and independent thought, and also collaboration with officers to assist committee members.
7. Works sensitively with people inside and outside committee.
8. Listens to and balances advice.
9. Must not be a serving local government officer or councillor.
10. Must have no personal, legal or contractual relationship with Cambridgeshire County Council (including employees or Members or former staff), or any other relationship / activity which might represent a conflict of interest.
11. Able and willing to devote the necessary time to the role.

## Internal Audit Progress Report

To: Audit & Accounts Committee

Date: 22<sup>nd</sup> July 2022

From: Mairead Claydon, Acting Head of Internal Audit and Risk Management

### 1. Purpose

- 1.1 To report on the main areas of audit coverage for the period to 11<sup>th</sup> July 2022.
- 1.2 Audit & Accounts Committee is requested to review and comment on the proposed plan of Internal Audit work for the next four quarters, outlined at Section 6 of the report.

### 2. Background

- 2.1 The role of Internal Audit is to provide the Audit Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 2.2 The Annual Audit Plan is split out into two elements: the 'core' plan, comprising key areas of assurance that are reviewed every year and audit support work (e.g. to working parties or panels) which is ongoing throughout the year; i.e. the areas of audit coverage that vary from year to year, with planned coverage based on a risk assessment process. More information on this approach is available at Section 6 of the main report, which presents the proposed flexible audit plan for the next four quarters.

### 3. Outstanding Audit Actions

- 3.1 Annex B details all 47 outstanding audit recommendations as at 7<sup>th</sup> July 2022 when this report was produced. Narrative updates on actions where the current target date is after 7<sup>th</sup> July have not been followed-up by Internal Audit in this reporting cycle, and will be reported in the next Progress Report.
- 3.2 There is only one current outstanding 'Essential' recommendation which passed its target date at the end of November 2021. This recommendation relates to the completion of the IT Health Check that is required for the Council to obtain Public Services Network (PSN) certification. Following an external IT Health Check (ITHC), the IT service has completed a further

external IT Health Check (ITHC), penetration testing, and has developed an action plan to track remediation works identified as being required by the ITHC. In order to re-obtain PSN Certification, the service need to document and submit a Remedial Action Plan, which is being created based on the current action plan. The service aim to submit this in July 2022 and hope to re-achieve PSN certification shortly thereafter.

#### 4. Investigations Caseload

- 4.1 Section 9 of the Progress Report summarises the open whistleblowing cases currently under review by the Internal Audit Team, as well as updates on other counter-fraud work. This includes a short summary of the Consultancy Contracts Investigation at Section 9.4.

#### 5. Audit Forward Planning

- 5.1 Section 6 of the Progress Report provides the current proposed Internal Audit Plan for the next four quarters, for comment and challenge by Audit & Accounts Committee.
- 5.2 As usual, the Plan has been updated to reflect changing risk priorities, and several new planned reviews have been added into the Plan as a result of the Consultancy Contracts Investigation. This includes reviews of compliance with the new requirement to obtain Procurement approval for direct awards to suppliers, and reviews of the accuracy of coding on the Council's financial systems.
- 5.3 The Plan has also been adjusted to remove some time allocations for ongoing advice and support around contract management issues, which are now being taken forward by the new Head of Diligence & Best Value, and to reflect the current resourcing position of the Internal Audit team.

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# Internal Audit & Risk Management

Cambridgeshire County Council

*Update report*

*As at 11<sup>th</sup> July 2022*

## *Section 1*

### *1 Introduction*

- 1.1 A summary of the content of the key sections of this report is provided below, for reference:

SECTION 1: Introduction

SECTION 2: Internal Audit Reporting Process

SECTION 3: Finalised Assignments

SECTION 4: Summaries of Completed Audits with Limited or No Assurance

SECTION 5: Internal Audit Activity

SECTION 6: Audit Forward Planning: Next Four Quarters

SECTION 7: Follow Up of Agreed Audit Actions

SECTION 8: Risk Management

SECTION 9: Fraud and Corruption Update

SECTION 10: Key Financial Systems Update

ANNEX A: Internal Audit Plan Progress 2021/22

ANNEX B: Outstanding Agreed Actions

ANNEX C: National Fraud Initiative Update

2 Internal Audit Reporting Process

2.1 The Reporting Process

2.1.1 This quarterly report provides stakeholders, including Audit & Accounts Committee and CLT, with a summary of internal audit activity for the first quarter of 2022/23 financial year.

2.2 How internal control is reviewed

2.2.1 There are three elements to each Internal Audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.

2.2.2 However, controls are not always complied with, which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

2.2.3 Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

2.2.4 At the conclusion of each audit, Internal Audit assigns three opinions. The opinions will be:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

2.2.5 The following definitions are currently in use:

	<b>Compliance Assurance</b>	<b>Control Environment Assurance</b>
<b>Substantial Assurance</b>	The control environment has substantially operated as intended although some minor errors may have been detected.	There are minimal control weaknesses that present very low risk to the control environment

<b>Good Assurance</b>	The control environment has largely operated as intended although some errors have been detected.	There are minor control weaknesses that present low risk to the control environment.
<b>Moderate Assurance</b>	The control environment has mainly operated as intended although errors have been detected.	There are control weaknesses that present a medium risk to the control environment.
<b>Limited Assurance</b>	The control environment has not operated as intended. Significant errors have been detected.	There are significant control weaknesses that present a high risk to the control environment.
<b>No Assurance</b>	The control environment has fundamentally broken down and is open to significant error or abuse.	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment OR it has not been possible for Internal Audit to provide an assurance due to lack of available evidence.

2.2.6 Organisational impact is reported as major, moderate or minor. All reports with major organisation impacts are reported to CLT, along with the appropriate Directorate's agreed action plan.

<b>Organisational Impact</b>	
<b>Level</b>	<b>Definitions</b>
<b>Major</b>	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
<b>Moderate</b>	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
<b>Minor</b>	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

### 3 Finalised assignments

3.1 Since the last Internal Audit Report in May 2022, the following audit assignments have reached completion, as set out below in Table 1.

**Table 1: Finalised Assignments**

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance	Organisational impact
1.	Resources	Accounts Receivable	Good	Good	Minor
2.	Resources	Accounts Payable	Good	Good	Minor
3.	Resources	Debt Recovery	Good	Moderate	Minor
4.	Public Health	Contain Management Outbreak Funding (COMF)	Grant review and certification provided.		
5.	Public Health	Test & Trace Service Support Funding	Grant review and certification provided.		
6.	People & Communities	Supporting Families Funding	Grant review and certification provided.		
7.	Cross-cutting	Annual Key Policies & Procedures Review	N/A	Good	Minor
8.	People & Communities	Schools Financial Management Reviews Consolidated Report	Moderate	Moderate	Minor
9.	Public Health	Healthy Child Programme Section 75 Agreement	Moderate	Limited	Minor

3.2 The Schools Financial Management Reviews Consolidated Report provided an overview of findings from 14 individual school audits and made recommendations to the Councils Schools Finance Team. An overview of the assurance opinions of

all schools reviews was provided in the Internal Audit Annual Report presented to Audit & Accounts Committee in May 2022, but at this stage some of the reports were still at draft stage. All 14 schools audit reports have now been finalised, and the table below shows the reports which have been agreed as final since the last Internal Audit report:

**Table 2: Finalised Individual School Assignments**

<b>No.</b>	<b>Directorate</b>	<b>Assignment</b>	<b>Compliance Assurance</b>	<b>Systems Assurance</b>
1.	People & Communities	Great Gidding Primary School	Moderate	Moderate
2.	People & Communities	Friday Bridge Primary School	Good	Good
3.	People & Communities	Linton Infant School	Moderate	Good
4.	People & Communities	Clarkson Infant School	Good	Good
5.	People & Communities	Hardwick and Cambourne Primary School	Moderate	Good
6.	People & Communities	Bushmead Primary School	Moderate	Moderate
7.	People & Communities	The Spinney Primary School	Moderate	Moderate
8.	People & Communities	Spring Meadow Infant School	Limited	Limited
9.	People & Communities	The Fields Early Years Centre	Limited	Limited

3.3 Summaries of any finalised reports with limited or no assurance (excluding individual school audits) are provided in Section 4.

3.4 The following audit assignments have reached draft report stage, as set out below in Table 3:

**Table 3: Draft Reports**

<b>No</b>	<b>Directorate</b>	<b>Assignment</b>
1.	Resources	Invoice Raising & Aged Debt

3.5 Further information on work planned and in progress may be found in the Audit Plan, attached as Annex A.

## 4 *Summaries of completed audits with limited or no assurance*

### 4.1 Healthy Child Programme Section 75 Agreement

- 4.1.1 The Healthy Child Programme is a universal programme available to all children, which includes Health Visiting, School Nursing, Vision Screening and Family Nurse Partnership services. Cambridgeshire County Council (CCC) and Peterborough City Council (PCC) commission their Healthy Child programme via a Section 75 Agreement, which is managed by the shared Public Health service between the two authorities. The current agreement commenced on 1<sup>st</sup> October 2019.
- 4.1.2 As the authorities share a single agreement which is managed jointly, Cambridgeshire's Internal Audit team reviewed the terms of the Section 75 Agreement and its management for both Cambridgeshire and Peterborough. Under the information sharing protocol between the two authorities, a copy of the final audit report has been provided to Peterborough's Head of Internal Audit.
- 4.1.3 The Internal Audit opinion on the control environment is Limited, reflecting the terms of the Section 75 Agreement in place. In particular, the Agreement lacks a pricing schedule to explain how the five pricing elements of the contract are broken down, what constitutes allowable (or disallowable) expenditure, and to link pricing to the service specification. The lack of a detailed pricing schedule then makes it difficult to implement elements of the contract which permit open-book review and a year-end reconciliation of costs. Recommended actions which have been agreed to strengthen the control environment include development of a clear pricing schedule; implementation of regular open-book monitoring against the pricing schedule once it has been agreed; and conducting an exercise to scrutinise and challenge areas of high overheads.
- 4.1.4 The opinion given for compliance is Moderate, reflecting the management of the Section 75 Agreement in practice and the implementation of key controls outlined in the agreement. It should be recognised that contract management and the normal operation of the Section 75 Agreement has been significantly disrupted by the Covid-19 pandemic, and the service is now in the process of re-implementing some major controls which were paused during the pandemic, such as the incentive scheme which links 3% of contract payments to specific performance measures. During the course of the pandemic, regular reporting and meetings with the provider did continue and business continuity arrangements were agreed, to refocus provider resource onto the most high-priority areas for delivery.
- 4.1.5 As a result of the audit, a number of actions have been agreed to strengthen the contract and the way it is currently managed.

## 5 *Internal Audit Activity*

### 5.1 Grant certifications

- 5.1.1 In the first quarter of 2022/23, a particular focus for the Internal Audit team has been certification of central government grants. The exact audit requirements vary from grant to grant; in general, where central government requires Internal Audit review of grant expenditure, the Chief Internal Auditor is required to provide assurance that grant monies have been spent in line with the terms and conditions of the funding and accurate expenditure has been declared by the Council.
- 5.1.2 Two high-value grants relating to Covid-19 funding, the Test & Trace Support Payment and Contain Management Outbreak Funding, required Internal Audit sign off by the 30<sup>th</sup> June 2022. As they related to Covid funding, these grants were additional to the team's regular annual grant certification work and audit staff showed a lot of dedication in working to ensure that the grants could be signed off before the deadline. The team also completed its regular testing and sign-off of the government's Supporting Families grant scheme, and work has now begun on the annual audit reviews of large capital grants in Place & Economy, which are due for completion by the end of Q2 2022/23.
- 5.1.3 Internal Audit also attend the Sustainability Panel to provide advice and challenge on the distribution of Covid sustainability grant. Early Years and Childcare providers submit applications for funding for panel approval. The panel's approach is to target funding to providers where there is the greatest likelihood that longer-term sustainability can be achieved by a single injection of funding to fill or bridge a gap in cash flow and short-term viability. Audit presence on this decision-making panel has supported financial and risk-based scrutiny of provider applications and provided ongoing review of compliance with panel governance processes and criteria. This panel is set to disband at the end of this academic year, with a final meeting to review any new and retrospective applications received by the deadline (6<sup>th</sup> June 2022) planned to take place in August.

### 5.2 School Audits

- 5.2.1 To provide assurance regarding the efficacy of financial management in schools, Internal Audit undertook a programme of visits to 14 local schools to review the operation and compliance with local financial management and governance controls in these settings, including payroll and purchasing processes. Individual reports were provided for each school, making recommendations to improve governance, procedures and compliance where relevant.
- 5.2.2 In addition a consolidated report was produced to highlight areas of exemplary practice and common compliance issues and control gaps identified through the

programme of audits. The Director of Education has written to all schools providing a detailed summary of the main findings and recommendations from the 14 school audits. He has asked all schools to review the findings and recommendations with their Finance Committee or equivalent to ensure best practice is being followed wherever possible.

- 5.2.3 The report also made recommendations concerning some aspects of existing Council policies and procedures surrounding the financial management of Cambridgeshire schools, highlighting areas that the Council may wish to amend in order for them to be more effective and proportionate. The Schools Finance Team will be updating a number of the key guidance documents and regulations over the coming months and will be publishing the revised versions for schools to access.

### 5.3 Advice and guidance

- 5.3.1 Internal Audit also provide advice, guidance and support to the organisation on governance, assurance and related issues. This work is undertaken on an ad-hoc basis as when required. Some of the key areas of support provided since the previous Progress Report include:

- Providing advice on proposed use of prepaid cards in in-house accommodation and day services.
- Providing advice on processes for sale of an asset by the Greater Cambridge Partnership.
- Providing advice on the anti-money laundering policy to the Commissioning directorate.
- Providing advice on the draft corporate policy framework to the BID directorate.

## 6. *Audit Forward Planning: next four quarters*

- 6.1 Core audit work is progressing in line with the agreed Audit Plan 2022/23. Progress on work underway is detailed at Annex A to this report.
- 6.2 The proposed 'flexible' Internal Audit Plan for the next four quarters (Q2 2022/23 – Q1 2023/24) is set out below, showing the current risk profiling of Internal Audit reviews over the next year. These are new jobs proposed to commence in the period, i.e. ongoing work is not included.
- 6.3 This programme of work is indicative only, and is subject to change to ensure that the Audit Plan can be reactive as well as proactive about providing assurance over emerging risk areas. The Audit Plan has been rebalanced since it was last presented to Committee in March 2022, to incorporate several new reviews of higher-risk areas which have been identified by audit work in the first quarter of the year; and also to remove some time allocations for ongoing advice and support around contract management issues, which are now being taken forward by the new Head of Diligence & Best Value.
- 6.4 The team's current resourcing position has also been taken into account in the review of the flexible Plan. Available staffing resource has been impacted by a number of leavers and secondments in 2021/22, which have proven difficult to fill. The intention is to go out to advert again in Q2 2022/23, and resourcing will also be improved at the start of Q3 when two new Apprentices will start with us on the Internal Audit graduate trainee scheme.
- 6.5 The team will continue to progress each quarter's work as outlined below, assuming a full team structure from Q3 onwards; any shortfall will be re-profiled in future quarters. This is one of the advantages of the new flexible planning approach.

<b>Proposed Flexible Internal Audit Plan</b>	<b>170</b>	<b>(July to September 2022)</b>	<b>Q2</b>
ICT Incident and Problem Management	20	Review of policies, procedures and compliance with managing identified incidents, issues and problems with ICT systems and services.	Q2
FOI and SAR	20	Freedom of Information & Subject Access Requests are legally required to be completed by the Council within set timescales. This review will provide assurance over processes in place to ensure the Council complies with its statutory responsibilities.	Q2
Early Years Entitlements Funding	20	To provide assurance that robust and efficient processes are in place to ensure payments to Early Years providers are timely and accurate and there are appropriate controls in place to reduce the risk of fraud.	Q2

Partnerships & Contracts Risk Assurance	20	Assurance over Corporate Risk 8 'Failure of key partnerships or contracts'.	Q2
Lifestyle Services Contract	30	A review of this key contract with an annual value of £3.1m across Cambridgeshire and Peterborough.	Q2
Fire Safety Checks	20	Confirm that fire safety check processes are up to date, carried out, and compliant with relevant legislation.	Q2
Accuracy of Coding on the Financial Ledger	20	Review of transactions from the Council's General Ledger, including consultancy expenditure, to verify that spend is being coded accurately to the relevant account codes.	Q2
Purchase Cards	20	Review of the issue and use of purchase cards to verify appropriate controls to prevent and detect fraud and ensure value for money	Q2
<b>Proposed Flexible Internal Audit Plan</b>	<b>210</b>	<b>(October – December 2022)</b>	<b>Q3</b>
ICT Strategy	20	The ICT service is in the process of a major refresh of strategy and governance. This review will aim to work collaboratively with the service to consider progress to date and suggestions for ongoing strategy development.	Q3
Safeguarding Risk Assurance	30	Review of key assurances in the Council's risk register over the Council's safeguarding arrangements for children and adults, including internal review processes, contractual assurances, and assurances received from third parties such as Ofsted, peer reviews etc.	Q3
Climate Change & Environment Strategy	20	Review of the Council's Climate Change and Environment Strategy, how the aims of this strategy are reflected in broader corporate policies and governance processes, and progress with action plans within the strategy.	Q3
Capital Project Management	20	Review of implementation of new project management processes within the Major Infrastructure Delivery team, to verify implementation of key Internal Audit recommendations and management of key risks. This will give assurance that the Project Assurance Group has implemented the key actions agreed.	Q3
Direct Awards Approval Compliance	10	Review of compliance with the new requirement for directly-awarded contracts to be approved by the Central Procurement Team.	Q3
Adult Social Care Finance	20	Assurance following the major restructure and centralisation of the Adults Social Care Finance team, particularly reviewing invoicing processes, cost recovery and the link to debt management.	Q3
Mosaic System Uploads, Data Integrity and Key	20	A review of key controls in the Mosaic system with regards to security and payment controls, and how data integrity is maintained from feeder systems and	Q3

Controls		uploads.	
Contract Management - Residential & Short Break Care for Children and Young People with a Disability	30	Review of this key contract with an annual value of £2.35m.	Q3
Statutory Health & Safety Property Inspections	20	Confirm that statutory inspections of property for health and safety are up to date, carried out, and compliant with relevant legislation. Confirm that recommendations are implemented and implementation is monitored.	Q3
Budgetary Forecasting	20	Review of processes for forecasting high demand demographically-driven budgets across People & Communities to ensure processes are robust and forecasting is accurate.	Q3
<b>Proposed Flexible Internal Audit Plan</b>	<b>205</b>	<b>(January – March 2023)</b>	<b>Q4</b>
Project Management Framework and Project Assurance	20	Review of the implementation and development of Council-wide project management framework and project assurance arrangements.	Q4
Projects Assurance	40	Provision of assurance over a sample of key projects and review of the efficacy of extant assurance processes.	Q4
Supplier Resilience Reviews	20	Review of a sample of key strategic suppliers, with a focus on suppliers of care and transport to vulnerable service users, to identify assurances in place over supplier resilience and continuity planning.	Q4
Adult's Social Care Commissioning Strategies	25	Review of strategic planning for commissioning and contracting across Adults Social Care, to provide assurance that commissioning is pro-active, considers demand and how this may be managed, and takes into account the condition of local markets.	Q4
Demand management strategies	20	Community resilience; review how the Council is working to reduce demand for high-cost services and whether plans to manage demand in one area end up increasing demand in another area.	Q4
ICT Security	20	Review of ICT security strategy and compliance with key measures such as PSN etc.	Q4
Information Security	20	Review of arrangements for controlling information security risk, with a focus on: policies and procedures; compliance with legislative requirements; communication and staff awareness; compliance monitoring; and incident handling.	Q4

Financial Regulations Monitoring & Compliance, including Delegated Authorities	20	Review to ensure that budget variations are approved in line with the requirements of the Financial Procedure Rules and the Constitution.	Q4
Management of Consultants and Interims	20	Review of the use of consultants and interims at the Council to gain assurance over compliance with contract procedure rules, appropriate use of employment status, and effective contract management.	Q4
<b>Proposed Flexible Internal Audit Plan</b>	<b>205</b>	<b>(April – June 2023)</b>	<b>Q5</b>
ICT Procurement	20	Review of ICT procurement function including commissioning, contract management, efficiencies etc.	Q5
Investment Properties	20	The Council holds a number of investment properties. This would review management of investments, income streams etc. Reputational risk area.	Q5
Capital Programme Projects Assurance	40	Review of a sample of individual capital programme projects, to provide assurance over compliance with the project management controls agreed by the MID Project Assurance Group.	Q5
Decentralised Corporate Controls	15	A review looking at key corporate controls which are delegated to individual managers (such as declarations of interest, vehicle and driver license checks, corporate induction completion etc), to identify which controls are delegated to budget managers and the extent of corporate oversight and control over compliance and completion.	Q5
Rental Income	20	Ensuring that the Council maximises the value of its property, including farms and other properties.	Q5
Client-side Review of Pathfinder Legal Services	20	Client-side review of Cambridgeshire's Pathfinder Legal Services legal provision.	Q5
Contract Management	20	Noted as a risk area. This would review contract management guidance and training available to managers in the organisation, and implementation of contract management processes. High impact area.	Q5
Contract Management - Public Transport, Park & Ride, and Guided Busway Contract	30	Review of this key contract with an annual value of £3m.	Q5

Contract Management - Supported Living	20	Review of the Supported Living contract.	Q5
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7. *Follow up of agreed audit actions*

7.1 The outstanding management actions from Internal Audit reports as at 11<sup>th</sup> July 2022 are summarised in the table below. This includes a comparison with the percentage implementation from the previous report (bracketed figures).

7.2 In line with the new rolling audit plan, implemented recommendations now only includes those closed within the last five quarters. Any recommendations that were closed more than five quarters ago are not included in the figures below.

**Table 4: Implementation of Recommendations**

	Category 'Essential' recommendations		Category 'High' recommendations		Category 'Medium' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
<b>Implemented</b>	2 (3)	1.47% (2.27%)	8 (5)	5.88% (3.79%)	79 (77)	58.09% (58.33%)	89 (85)	65.44% (64.39%)
<b>Actions due within last 3 months, but not implemented</b>	0 (0)	0.00% (0.00%)	3 (1)	2.21% (0.76%)	1 (5)	0.74% (3.79%)	4 (6)	2.94% (4.55%)
<b>Actions due over 3 months ago, but not implemented</b>	1 (1)	0.74% (0.76%)	1 (0)	0.74% (N/A)	14 (13)	10.29% (9.84%)	16 (14)	11.76% (10.61%)
<b>Capital Programme Actions<sup>1</sup> due over 3 months ago, but not implemented</b>	0 (0)	0.00% (0.00%)	0 (0)	0.00% (0.00%)	27 (27)	19.85% (20.45%)	27 (27)	19.85% (20.45%)
<b>Totals</b>	<b>3</b>		<b>12</b>		<b>120</b>		<b>136</b>	

7.3 There are currently 47 management actions outstanding. Further detail on outstanding actions is provided at Annex B.

7.4 There is only one current outstanding 'Essential' recommendation which passed its target date at the end of November 2021. This recommendation relates to the completion of the IT Health Check and associated work that is required for the Council to obtain Public Services Network (PSN) certification. Following an external IT Health Check (ITHC), the IT service has completed a further external IT Health Check (ITHC), penetration testing, and has developed an action plan to track remediation works identified as being required by the ITHC. In order to re-obtain PSN Certification, the service need to document and submit a Remedial

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<sup>1</sup> These 27 actions related to a review of capital project management. Audit & Accounts Committee received a full update on implementation of these actions on 31<sup>st</sup> May 2022 from the Place & Economy service. It has been agreed that Internal Audit will conduct a full follow-up audit of these actions in Q3 2022/23 to assess their implementation; as such further updates on implementation will not be provided until the audit is complete.

Action Plan, which is being created based on the current action plan. The service aim to submit this by the 8th July 2022 and hope to re-achieve PSN certification shortly thereafter.

7.5 Table 5, below shows the number of outstanding recommendations in each directorate:

**Table 5: Outstanding Actions By Directorate**

<b>Directorate</b>		<b>Outstanding recommendations</b>
Customer and Digital		
Business Improvement & Development		
People and Communities		6
Place and Economy		27
		1
Resources		
Monitoring Officer		1

## 8.0 *Risk Management*

- 8.1 The Corporate Risk Register (CRR) and the updated Risk Management Policy were presented as annexes to the previous Internal Audit Report, which went to Audit & Accounts Committee on the 31<sup>st</sup> May. The next report on risk management and updated Risk Register is being taken to Strategy & Resources Committee in August 2022, and copies of the August update will then be brought to the Audit & Accounts Committee meeting in September.
- 8.2 In the meantime, Internal Audit are introducing a new process to formally challenge and assure individual risks on the Corporate Risk Register. The first risk to be reviewed in this way is Risk 08. “Failure of Key Partnerships or Contracts”, as the newest addition to the CRR. Work to review and challenge the identified triggers, controls and risk assessment relating to this risk is already underway, and the next step will be for Internal Audit to verify that the controls outlined in the risk register are in place. Outcomes of this review will be reported in line with the quarterly corporate risk reporting process.

## 9 *Fraud and corruption update*

### 9.1 Fraud Investigations

- 9.1. The current Internal Audit caseload of investigations is summarised below in Table 7. As at the 30<sup>th</sup> June 2022, Internal Audit has received 5 whistleblowing referrals in the 2022/23 financial year, broadly similar to the number of referrals received by the same point in 2021/22 (3 cases).

**Table 7. Current Internal Audit Investigations Caseload**

<b>Open Cases from 2021/22</b>		<b>Open</b>	<b>Closed</b>	<b>Total</b>
<i>Carried forward</i>				
Fraud	Officer Fraud	1	0	1
	Direct Payments	2	0	2
Governance	Conflict of Interest	1	0	1
<b>Total</b>		<b>4</b>	<b>0</b>	<b>4</b>
<b>All Cases Reported in 2022/23</b>				
<i>To Date</i>				
Fraud and Theft	Conflict of Interest	1	0	1
	Theft	1	0	1
	Third Party Fraud	1	0	1
Governance	Internal Governance Issue	1	0	1
Health & Safety	Health & Safety	1	0	1
<b>Total</b>		<b>5</b>	<b>0</b>	<b>5</b>

- 9.1.2 It should be noted that the Internal Audit team records all whistleblowing referrals we receive; however Internal Audit normally act as the investigating service only for referrals relating to theft, fraud, corruption and governance concerns. Where whistleblowing referrals relate to e.g. safeguarding or HR issues, the referrals are passed on to the appropriate service to investigate and respond.

- 9.1.3 Summaries of the current open whistleblowing and investigation cases are provided below:

- **Direct Payments (2 cases)** – Internal Audit has investigated two cases of alleged misuse of Direct Payments. In one instance this has resulted in a referral to the police. In the other case the evidence is not sufficient to support a police referral, but an audit report on how to strengthen controls to reduce the risk of future direct payments misuse will be produced.

- **Conflict of Interest (2 cases)** – Internal Audit has been asked to provide assurance over the management of a possible conflict-of-interest. Another possible conflict-of-interest case has been identified via the National Fraud Initiative and is currently being investigated.
- **Officer Fraud (1 case)** – The Council identified concerns that an officer may be completing private work on Council time. The investigation is being led by HR as an employment matter with support from Internal Audit when needed.
- **Theft (1 case)** – The Council has been made aware of an allegation of a cash theft by a member of staff. The investigation is being led by HR as an employment matter with support from Internal Audit when needed.
- **Internal Governance Issue (1 case)** – Internal Audit are reviewing concerns raised by a member of staff about the financial governance of a service.
- **Health & Safety (1 case)** – The whistleblowing inbox received an anonymous referral raising concerns about health and safety in a specific Council. This has been passed on to the appropriate service to investigate and a site visit has been completed.

## 9.2 Update on policies

9.2.1 As reported previously, the Internal Audit team has been reviewing the Council's Anti-Fraud and Corruption Policy. This was with the intention of bringing an updated policy to CCLT and the Audit & Accounts Committee in summer 2022; however, this has been deferred to enable the team to present an updated Anti-Money Laundering Policy to the Committee for approval at the same time as the Anti-Fraud & Corruption Policy. The review of the Anti-Money Laundering Policy is progressing well, and a money laundering risk assessment is being completed as part of this work. The team are planning to present both updated policies to the Committee in the autumn.

9.2.2 At the meeting of Audit & Accounts Committee on 31<sup>st</sup> May 2022, the Chief Executive confirmed that he is personally planning to review and revise the Council's Whistleblowing Policy. To inform this work, during June, Internal Audit ran a whistleblowing survey. This is run every year by Audit, and it involved selecting one hundred members of staff at random and asking them to complete a survey asking about their awareness of the Council's Whistleblowing Policy and their confidence in the whistleblowing process. Forty responses were received, and the outcomes have been provided to the Chief Executive.

### 9.3 National Fraud Initiative (NFI)

- 9.3.1 The NFI compares different data sets provided nationally by local authorities and partner organisations, for the purpose of detecting and preventing fraud. The current exercise commenced in September 2020 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2021. The total number of matches for CCC is 8,629 across 31 reports which have a high or medium risk rating, depending on the nature of the data.
- 9.3.2 As at July 2022, 2022 6,576 matches have been closed on the NFI portal. This includes £63,440.03 pension overpayments that have been identified and are being recovered. 349 blue badges have been cancelled; the Cabinet Office estimates a notional saving of £200,675.00 for these. More information on the work to date is provided at Annex C to this report.
- 9.3.3 The next NFI exercise will commence in October 2022, when data will be uploaded onto the NFI portal by Cambridgeshire County Council. The matches identified from this data will then be released by the NFI in January 2023 for the Council to review.

### 9.4 Consultancy contracts review

- 9.4.1 Internal Audit completed a review following up on the findings of a previous investigation into Use of Consultants in 2018. This identified several breaches of the Council's rules around procurement and appointment of consultants, and limited compliance with a number of the internal controls that were introduced following the previous audit review of consultants. The review did not identify any evidence of breaches of national procurement legislation. This audit review was referenced as part of the report submitted by the Head of Procurement considered by the Audit & Accounts Committee at its meeting in May.
- 9.4.2 As a result of this review, a number of recommended actions have been agreed with senior management and some of these have already been implemented. The Council's new Contract Procedure Rules include a new requirement that officers must obtain approval from Procurement for any direct award to a supplier, even if it carried out via a legally-compliant framework. Procurement are also in the process of introducing formal reporting on the award of procurement waivers and direct award approvals, to enable greater scrutiny and challenge. The Council's HR service are introducing a new recruitment panel process for consultancy expenditure which will include an e-form for services to use to obtain approval for spend.

9.4.3 One of the key issues encountered by the Internal Audit team was the difficulty obtaining evidence and records relating to the sampled consultancy procurements, particularly after budget managers or other staff had moved on. This is consistent with the findings of another recent audit review looking at Procurement Compliance. As a result of these findings, the Procurement team are working to find a solution which would enable the Council to maintain a central repository for procurement information for high value contracts.

9.4.4 In order to maintain oversight of progress with addressing the areas of weakness identified by the review, Internal Audit has committed to undertaking a number of follow-up reviews over the next four quarters. This includes a compliance audit to examine compliance with the new requirement for officers to obtain approval from Procurement for any direct awards to suppliers; work to review the accuracy of coding of expenditure on the Council's General Ledger; and a full follow-up audit of consultancy and interim spend at the end of the year. The outcomes of these reviews will be reported to Committee in due course.

## 10 *Key financial systems update*

- 10.1 Annual audits of Accounts Payable (AP), Debt Recovery (DR), and Accounts Receivable (AR) are delivered by the Cambridgeshire Internal Audit Team to Cambridgeshire County Council and the other partner Councils who receive these services under the Lead Authority system. These reviews have now been completed and issued as final to all partners for the 2021/22 financial year. Details on the outcomes of these audits for Cambridgeshire were provided as part of the Internal Audit Annual Report, which was presented to Audit & Accounts Committee
- 10.2 The other key financial system audits, Payroll and Pensions, are being delivered by audit colleagues at West Northamptonshire Council (WNC). The final Administration of the Pension Fund report has now been received and gives an opinion of substantial assurance over the adequacy of the system, and satisfactory assurance over compliance with the system. Actions have been agreed with management to address areas of weakness where these have been identified.
- 10.3 Colleagues at WNC have stated that they are aiming to provide a draft report on Payroll Transactions by the 15<sup>th</sup> July 2022. Cambridgeshire's Internal Audit team will formally report the outcomes of this audit, once the final report is, in the next Progress Report to Cambridgeshire's Audit & Accounts Committee.
- 10.4 The Lead Authority Board has discussed the current arrangements for internal audit of shared systems, and it the Chief Internal Auditors of the partner authorities have met in July 2022 to start developing a clear proposal for how the audits of shared services should work, and develop a schedule for the audits planned to take place in 2022/23. This will include planning for when audits will take place, which partner authority will undertake them, and an estimated number of days for each review. The schedule will then be shared with Lead Authority Board members and relevant Heads of Service.
- 10.5 Internal Audit will provide a further update on the planning of joint key financial systems audits for 2022/23 in the next Progress Report.

**Annex A**  
**Internal Audit Plan Progress**  
**2022/23**

Progress to 30<sup>th</sup> June 2022 with the core Internal Audit Plan 2022/23 and the agreed Q1 – 4 ‘flexible’ plan, on the basis of individual reviews completed, is summarised as follows:

<b>Audit Plan 22/23 Progress In-Year</b>		
Total Completed & Closed Reviews	12	13%
Ongoing Work (i.e. which will not 'close' until the end of the financial year)	20	22%
Draft Report Issued	1	1%
Fieldwork In Progress	17	19%
Reviews at Terms of Reference (ToR) stage and before	3	3%
22/23 Planned reviews not started or ‘paused’ at Director request	39	43%

Detail of the agreed Core and Q1 - 4 ‘flexible’ Internal Audit Plan 2022/23, including progress to 30<sup>th</sup> 2022, is provided below:

<b>AUDIT TITLE</b>	<b>Directorate</b>	<b>TYPE OF WORK</b>	<b>PROGRESS</b>
Financial Assessments	P&C	Audit	Fieldwork
Fostering Payments	P&C	Audit	Fieldwork
Budgetary Control	Resources	Audit	Fieldwork
Contract Management - Healthy Child (Section 75)	P&C	Audit	Complete
Procurement Compliance	CCC	Audit	Complete
Street Lighting PFI	P&E	Audit	Fieldwork
Schools Finance Audits	P&C	Audit	Complete
Bank Reconciliation	CCC	Audit	Pending
Accounts Receivable (21/22)	CCC	Audit	Complete
Purchase to Pay (21/22)	CCC	Audit	Complete
Debt Recovery	CCC	Audit	Complete
Aged Debt & Income Raising	CCC	Audit	Draft Report
Annual Key Policies & Procedures Review	CCC	Audit	Complete
VAT	CCC	Audit	Fieldwork
ICT Change Management	C&D	Audit	Fieldwork
Client Funds & Deputyships	P&C	Audit	Fieldwork
FOI and SAR	C&D	Audit	Fieldwork
Integrated Drug and Alcohol Treatment System Contract	PH	Audit	Fieldwork
Schools Capital Programme	P&C	Audit	Fieldwork
Highways Contract	P&E	Audit	Complete
Troubled Families	P&C	Grant claim	N/A
Disabled Facilities Grant	P&C	Grant claim	Fieldwork

Test Track and Trace Grant	PH	Grant claim	Complete
Contain Outbreak Management Fund	PH	Grant claim	Complete
Adult Weight Management Grant	PH	Grant claim	Fieldwork
National Fraud Initiative	CCC	Support	N/A
Fraud Investigations Review Process	CCC	Support	N/A
Chartwell Assurance	P&C	Investigation	Fieldwork
Direct Payments Suspected Fraud Case 083	CCC	Investigation	Fieldwork
Direct Payments Suspected Fraud Case 087	CCC	Investigation	Fieldwork
Contractors Appointment Assurance	CCC	Investigation	Complete
Early Years Funding Investigation	P&C	Investigation	Fieldwork
FACT/HACT Follow Up	CCC	Support	N/A
Council Tax NFI Project	CCC	Support	N/A
Anti-Fraud & Corruption Policy Review	CCC	Support	N/A
Anti-Money Laundering Policy Review	CCC	Support	N/A
Direct Payments Fraud Policies	CCC	Support	N/A
Annual Governance Statement/Code of Corporate Governance	CCC	Support	Complete
Whistleblowing Policy Annual Review	CCC	Audit	N/A
Public Sector Internal Audit Standards (PSIAS) Review	CCC	Support	N/A
Sustainability Panel	CCC	Support	N/A
Information Management Board	CCC	Support	N/A
Strategic Risk Management Assurances	CCC	Risk Management	N/A
Risk Management	CCC	Risk Management	N/A
Compliance - Corporate and Key Directorate Risks	CCC	Risk Management	N/A
Advice & Guidance	CCC	Support	N/A
Freedom of Information Requests	CCC	Support	N/A
Follow-Ups of Agreed Actions	CCC	Support	N/A
Committee Reporting	CCC	Support	N/A
Management Reporting	CCC	Support	N/A
Audit Plan	CCC	Support	N/A

## ANNEX B *Summary of Outstanding Recommendations*

(Recommendation status as at 6.07.2022).

### *Essential Recommendations overdue*

Audit	Risk level	Summary of Recommendation	Target Date	Status
ICT Touch Security	Light E	<p>A target date for CCC re-obtaining PSN certification is agreed and JMT is kept updated of progress towards this target.</p> <p>In view of management's comments on the draft report, we recommend two separate target dates be agreed:</p> <ul style="list-style-type: none"> <li>• One for the completion of an ITHC and the submission of an appropriate Remediation Plan to PSN (if needed). Perhaps the target for this could be August 2021</li> <li>• And the other target being for the completion of (at least the high priority elements of) the new Remediation Plan. We suggest this target date could be 3-6 months after the above.</li> </ul>	30/11/2021	<p>The IT service has completed a further external IT Health Check (ITHC) penetration testing and has developed an action plan to track remediation works identified as being required by the ITHC. In order to re-obtain PSN Certification, the service need to document and submit a Remedial Action Plan, which is being created based on the current action plan. The service aim to submit this in July 2022 and hope to re-achieve PSN certification shortly thereafter.</p> <p>Revised target date: 31st August 2022</p>

*Recommendations overdue – under 3 months*

Audit	Risk level	Summary of Recommendation	Target Date	Status
DSG - High Needs Block Demand Management	I	The service has indicated that there are already plans to review and update the Personal Budget policy. The service should ensure as part of this update that guidance is clear that where any provision is to be secured by a Personal Budget, Section J of the EHCP should include: details of how the Personal Budget will support particular outcomes; the specific provision it will be used for, including any flexibility in its usage; and the arrangements for any direct payments for education, health and social care.	01/04/2022	This has been delayed by the need to align with work to the new Safety Valve Monitoring (SVM) work now taking place around Dedicated Schools Grant High Needs Block expenditure. The service is now aiming to complete this action in August.  Revised target date: 31st August 2022
Fees and Charges	H	The Director of Resources should commission a piece of work to reconcile from the fees and charges income code (J100) in ERP against the published schedules to ensure that all statutory and discretionary charges are published accurately. In addition, the following types of reduced charge/free services should be identified: <ul style="list-style-type: none"> <li>• Subsidised fees,</li> <li>• Charging exemptions,</li> <li>• Concessions,</li> <li>• Statutory prohibition.</li> </ul>	30/06/2022	Internal Audit awaits progression update and revised target date and/or evidence of completion.  Revised target date: TBC
Fees and Charges	H	Following the update of the policy and guidance, a communication strategy should be developed which raises awareness and embeds the policy and best practice guidance across the organisation.	30/06/2022	Head of Commercial confirmed service communication strategy is underway. The service intends to send communications and guidance out in a timely way as per the business cycle

				<p>timescales as well as provide additional support to services if new to charging or needing a review.</p> <p>The plan is to:</p> <ul style="list-style-type: none"> <li>• Engage with high use services (those with multiple charges / portfolio of income generating products) for feedback as well as commence communication of revised policy [complete – all ‘traded services’ and high use services engaged directly and as a group]</li> <li>• Senior Transformation Advisor has drafted a note for CLT for final sign-off of the policy and the implementation plan. [due mid-July]</li> <li>• Finance Business Partners and their teams to receive briefing so they can check, challenge and support adherence to policy [planned mid-July immediately after CLT]</li> <li>• Embed policy within Business Planning and MTFS documentation, guidance and timeline [complete]</li> </ul> <p>Revised target date: 31<sup>st</sup> July 2022</p>
Consultancy Contracts Assurance	H	A system of formal reporting on the award of procurement waivers and approvals of direct awards should be introduced, with exemptions awarded reported to Internal Audit and CLT in addition to the Head of Procurement. Consideration should also be	30/06/2022	The service has reported that direct awards must now have the approval of the procurement team. The team have established a log to record this activity and are conducting checks of the Contract Register to identify noncompliance.

		given to sending the reporting to Strategy and Resources Committee. This will enable greater scrutiny and challenge of the award of waivers, in addition to the above measure.		Internal Audit are awaiting final evidence of this to enable sign-off of this action as closed.
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### *Summary of Outstanding Recommendations – over 3 months*

Audit	Risk level	Summary of Recommendation	Target Date	Status
DSG - High Needs Block Demand Management	I	The Statutory Assessment Team should evaluate the annual review process and ensure that there is a control implemented (i.e. a checklist) within the annual review process that prompts the casework officers to check whether the details of the EHCP and particularly the funding allocated is still appropriate to meet the child/young person's needs.	31/12/2021	A new Project Manager has started work on the EHCP Improvement Plan; the Annual Review Improvements will fall under this. The deadline will need to be pushed back so the new project manager can get up to speed, and also due to the expansion in scope of this element of the project to cover the whole EHCP, not just Annual Reviews. A further delay has also been caused by the need to align this work to the new Safety Valve Monitoring (SVM) work now taking place around Dedicated Schools Grant High Needs Block expenditure. The service is now aiming to complete this action in August.  Revised target date: 31st August 2022
DSG - High Needs Block Demand Management	I	A formal backlog recovery plan needs to be written to address the current backlog. The planning should include: <ul style="list-style-type: none"> <li>• Writing a work plan to determine the next steps to be undertaken.</li> <li>• Agreeing performance targets on the basis of number</li> </ul>	01/09/2021	In order to fully develop a backlog recovery plan including measurable targets, a meeting needs to be scheduled with the Statutory Assessment Team Senior Business Officers to establish targets. Then the team can work to develop reporting from the ONE system to track progress

		<p>of cases that should be cleared per month, and how performance will be reported.</p> <ul style="list-style-type: none"> <li>• The service should identify an agreed prioritisation of cases. Internal Audit would recommend considering prioritising completion on annual reviews for; <ul style="list-style-type: none"> <li>- High value placements</li> <li>- Any cases where there are concerns over the current provision</li> <li>- For individuals with personal budgets</li> <li>- Schools that are requesting additional funding</li> </ul> </li> </ul>		<p>against the plan. This has been delayed due to annual leave of the officers who need to be involved in developing the plan, but is now expected to progress and the service is aiming to agree a formal backlog recovery plan in August.</p> <p>Revised target date: 31st August 2022</p>
DSG - High Needs Block Demand Management	I	<p>The Quality Assurance Audit Framework should be revised to include checks to identify whether the provision outlined in each EHCP appears to be proportionate to the level of need, and to assess whether the funding allocated to the individual is appropriate.</p>	31/01/2022	<p>This has been delayed by the need to align with work to the new Safety Valve Monitoring (SVM) work now taking place around Dedicated Schools Grant High Needs Block expenditure. The service is now aiming to complete this action in August.</p> <p>Revised target date: 31st August 2022</p>
Interim Team Leader MID Investigation	I	<p>The service should review all current contracts with interim workers and ensure that contracts include complete mechanisms for the Council to withhold payment in the event of late or absent delivery of expected services.</p>	31/01/2022	<p>The service has been working on this action and has been in regular correspondence with Internal Audit to discuss progress and possible different approaches to mitigating the risk. At the time of writing, these discussions are ongoing.</p> <p>Revised target date: 31<sup>st</sup> August 2022</p>
Declarations of Interest - Employees	H	<p>The Council should identify key decision-making officer boards/group's where there is a risk of officers being involved in decisions where they may have an interest which could present a conflict and ensure that declarations at the start of the meeting and incorporated into the groups terms of reference.</p>	31/01/2022	<p>The Assistant Director, HR Services, confirmed that "This was discussed in CLT and it has been agreed that we will write out to all officers twice a year as a reminder about the process to be followed. We considered keeping a central</p>

				<p>record of boards and who is on them but realistically it changes so fast that it would be out of date as soon as it was signed off. What CLT have agreed to do is:</p> <p>Issue a reminder to all officers along with some guidance that has been prepared by the Legal Team on advice for members and officers serving on outside bodies and we will reissue the guidelines to remind people of the importance of declarations both for themselves and the council. We will ask people twice a year to consider whether there is anything new that they should have declared but haven't or whether anything has changed in the last 6 months that needs updating/removing from the record."</p> <p>Revised target date: 31<sup>st</sup> July 2022</p>
DR 20/21	I	<p>Detailed best practice procedures should be developed, communicated, and embedded to govern effective debt recovery activity across all three clients. These best practice procedures should be continually assessed to ensure they are proportionate, efficient, and effective. The procedures should be documented and cover:</p> <ul style="list-style-type: none"> <li>• Recovery activities and associated timescales (including timescales for DCA to recover debts and timescales for sending back to the client if debts are not recovered)</li> <li>• Guidance on how to undertake recovery activities</li> <li>• How activity should be evidenced and recorded to maintain complete and consistent case notes</li> </ul>	30/09/21	<p>The Income Policy has been reviewed and updated for all clients and came into effect from April / May 2022. The policies set out the key principles in respect of billing and income recovery. Additionally to support staff responsible for debt recovery there are a number of working documents and crib sheets that are provided to staff as part of their induction or following training.</p> <p>It is recognised however that it would be good for the individual documents to be incorporated</p>

		<ul style="list-style-type: none"> <li>• All recovery strategies and guidance on decision making, specifically on criteria for unrecoverable debt</li> <li>• Procedures in relation to dealing with services over disputed debt/debt managed outside of the debt teams</li> <li>• Write off processes</li> <li>• How debts are allocated to Recovery Officers and how these should be prioritised</li> <li>• How ERP Gold workflows and functionality will be best utilised</li> <li>• Use of complaint codes</li> <li>• Deceased cases recovery processes</li> </ul>		<p>into a single guidance document that all staff can make reference to as part of their role. Bearing this in mind an Income notes of guidance document for staff is planned to be produced during 2022/23.</p> <p>Revised target date: 30th September 2022</p>
Soham Library Preschool Investigation	M	<p>Consideration should be given to the accounting treatment for any Less Than Best lease arrangements (including rent holidays) with the 'cost' of any subsidy being recognised as a nominal cost to a service's accounts to reflect the community benefit invested in these arrangements.</p>	31/10/21	<p>The Sector Development and Funding Manager confirmed that this complex proposal is currently being discussed with colleagues in Finance and Education to identify how it could be progressed. As this is a notional accounting entry it is technically complex, and the specific staff from Finance who are needed to progress this action are currently working full time on preparing the draft accounts, so there has not been capacity to progress this further.</p> <p>Finance have confirmed that they are hoping to have some capacity to look at this action with the service in mid to late August.</p> <p>Revised target date: 30th September 2022</p>

Fostering Contract Management	I	<p>No control process to identify errors in in-house payments:  Create a payment policy document that clearly sets out the different scenarios that occur and how they are paid for, such as: respite breaks, children going to university, level 6 carers with a staying put placement etc. Include details about IFA carers transferring to in-house, and the fee agreements relating to children already in place.</p>	01/07/19	<p>Head of Service for Corporate Parenting has shared with audit an extract from the draft Foster Carer Handbook detailing the council's current payment arrangements.</p> <p>This document outlines the current Level 1-4 basic allowance as well as gives details of additional allowances that professional foster carers may be eligible. Once the document has been finalised, printed and distributed, it should be possible to close this action.</p> <p>Revised target date: TBC</p>
Key Policies and Procedures	I	<p>Policy Framework:  A policy framework document should be drafted which includes:</p> <ul style="list-style-type: none"> <li>• A definitive list of CCC's key policies</li> <li>• links to each policy or where to find them</li> <li>• The update schedules for each</li> <li>• Whether any particular legislation must be taken into account when updating</li> <li>• Whether legal advice is needed on updating (to prevent misinterpretation of legislation)</li> <li>• Who is responsible for updating each policy</li> <li>• Who needs to approve changes to the policy (e.g. JMT or service committees)</li> <li>• Templates and Guidelines for the creation of new policies (e.g. is an Equalities impact assessment needed)"</li> </ul>	30/04/21	<p>The Draft framework policy has been reviewed by the BID Director and went to Democratic Services for inclusion in the CLT pack for 4th July.</p> <p>Audit has reviewed this policy against the recommendation item suggestions and fed back to the Policy &amp; Strategy Lead.</p> <p>Service are consulting with DMT for further feedback and intend to take the policy to CLT in October for approval.</p> <p>Revised target date: 31<sup>st</sup> October 2022</p>

Complaints	I	<p>Complaints Monitoring:</p> <p>The current complaints processes do not include any corporate monitoring or reporting mechanisms. Without these it is difficult to assess whether complaints are being acknowledged investigated, escalated, or responded to in line with procedures and timescales. It is also difficult to assess the number, nature and type of complaints received by the Council. This is important to support the identification of thematic issues and drive service improvement.</p> <p>The introduction of the corporate Feedback Policy and the new digital complaints solution provides a timely opportunity to introduce monitoring and reporting arrangements.</p>	01/10/20	<p>Reporting of corporate complaints will proceed as planned to achieve this audit recommendation using the existing systems and processes.</p> <p>This report will note the incoming volumes through the current system and will track which complaints subsequently move through all 3 stages of the corporate complaints process – by definition these are the complaints that CCC struggles to resolve.</p> <p>From this the service can see how complaints that come through to Stage 3 have been responded to, including the timeliness of our response, the nature and quality of the investigation and how these complaints have been escalated. We will categorise these complaints according to service, noting the nature of the complaint, the themes emerging through these complaints, the actions we have committed to and the learning we need to take from these complaints.</p> <p>We will produce a 6 monthly report, the first one being by 30 Sept 2022 for the first 6 months of 2022/23.</p> <p>Revised Target Date: 30th September 2022</p>
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This Land	I	<p>Governance arrangements: A formal document is produced and presented to C&amp;IC (as Shareholder) containing governance arrangements of:</p> <ul style="list-style-type: none"> <li>• Reporting to Shareholder;</li> <li>• Corporate performance indicators for delivery against the benefits identified;</li> <li>• Business plan;</li> <li>• Financing the company;</li> <li>• Reserved matters;</li> <li>• Risk, Audit, and internal control</li> </ul> <p>This could be a development of the drafted Memorandum of Understanding or a separate document which should be discussed and agreed by the committee, with changes made if necessary. Implementation of this recommendation would substantially increase the audit opinion.</p>	01/06/21	<p>Director of Resources confirmed:</p> <ul style="list-style-type: none"> <li>• Annual submission of business plan is due at Sept 2022 S&amp;R Committee.</li> <li>• A new chairman of This Land and company secretary have recently come into role, providing a timely opportunity, alongside the AY recommendations, to refresh these arrangements.</li> <li>• The external solicitors, Freeths, have been appointed to advise the Council on refresh of the governance documents, taking account of the recommendations raised here, and service are currently in liaison with This Land around this and expect to be able to advise Sept 2022 S&amp;R Committee on the outcome of that advice and enhancements/changes that result from it.</li> </ul> <p>Revised target date: 21<sup>st</sup> September 2022</p>
AP 20/21	I	<p>Supplier Review:</p> <p>A review of suppliers in ERP should be undertaken to identify any further instances where the same company is set up as both a commercial and non-commercial supplier. Each case should be reviewed to establish if the existence as both supplier types is appropriate and if not if should be determined which supplier instances should be deleted or disabled.</p>	30/06/21	<p>To mitigate this risk the New Supplier Request form advises the user to check that a supplier record does not exist in ERP and the Suppliers team is required to complete further checks to prevent duplicate supplier records being set up in ERP.</p> <p>A Duplicate Suppliers report is now available in ERP to identify suppliers with duplicate payment sites and this will be used to undertake an</p>

				<p>exercise to identify and review any existing suppliers that are set up as both commercial and non-commercial types.</p> <p>Requirement will form part of procurement of new duplicate payment checker solution to be procured during 2022/23, thereby ensuring that the solution implemented manages and reports such duplicate to facilitate data cleansing across all clients.</p> <p>Revised target date: 31<sup>st</sup> December 2022</p>
Capital Programme Governance Review	I	There are 27 recommendations in the Capital Programme Governance Review report that became due for implementation on 30 June 2021.	30/06/21	<p>Work to establish progress with these recommendations is being progressed as a separate exercise by the Service.</p> <p>As agreed with the Chair of the Audit &amp; Accounts Committee, a further progress report was provided by the Service to the Audit &amp; Accounts Committee's May 2022 meeting.</p> <p>This progress report summarised the extent to which the suite of recommendations have been implemented and are routinely complied with.</p> <p>The implementation of these will be verified by an audit in Q3 2022/23.</p>

<p>18/19 Ely I Bypass Review</p>	<p>I</p>	<p>Limits on Delegated Authority:</p> <p>Consideration should be given to whether the Constitution should be adapted to incorporate limits to delegating authority away from Committees, particularly when there are significant financial implications.</p>	<p>31/10/19</p>	<p>Work to establish progress with these recommendations is being progressed as a separate exercise by the Service.</p> <p>As agreed with the Chair of the Audit &amp; Accounts Committee, a further progress report was provided by the Service to the Audit &amp; Accounts Committee's May 2022 meeting.</p> <p>This progress report summarised the extent to which the suite of recommendations have been implemented and are routinely complied with.</p> <p>The implementation of these will be verified by an audit in Q3 2022/23.</p>
	<p>I</p>	<p>Urgent action is taken in conjunction with the Payroll and HR Transactions Manager to address the weaknesses in the quality and accuracy of payroll control accounts.</p>	<p>30/09/2021</p>	<p>The Lead Authority Board met on 9th July to discuss a proposed Payroll Service Improvement Plan which has included identification of additional resource required for reconciliation of payroll control accounts. This resulted in an agreement to recruit to additional posts. An improvement plan and workflow pathway mapping for payroll, supported by the WNC Transformation Team has been shared with the Chief Finance Officers.</p> <p>At CCC, Finance staff have developed their own action plan to address the high balances on CCC payroll control accounts, which has been shared with Internal Audit. Work has started on trying to</p>

				<p>clear the aged suspense items where CCC Finance staff are able to do so, although this work will not be fully resourced until the preparation of the Council's accounts is complete.</p> <p>Revised target date: 1st September 2022</p>
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**ANNEX C**  
**Internal Audit Progress Update**

**National Fraud Initiative Update**

1. The NFI compares different data sets provided nationally by local authorities and partner organisations. The current exercise commenced in September 2020 when data was supplied for matching purposes by all relevant parties, including CCC. The matched output was released by the NFI in January 2021. The total amount of matches for CCC is 8629 across 31 reports which have a high or medium risk rating.
2. Details of the number of matches closed, resulting outcomes and details regarding progress are provided in Table 1. Progress is dependent on priority needs and resource availability in the individual service areas but is subject to ongoing monitoring and review by the Internal Audit team. Information from customers for example Pensions is requested from next of kin of the individuals concerned which understandably takes time to write out and respond to.
3. The information relating to closed matches and outcomes is taken from the NFI portal data which is updated by services, however in cases where there are high numbers of matches these have been extracted from the portal for services to investigate. Internal Audit has contacted lead officers within these service areas for a general update on match investigations currently in progress (see service update).
4. There is no deadline for match investigation completion, NFI states “*consider other competing resource demands when planning and prioritising your work*” however it is expected they will all be reviewed prior to the next upload in October 2022.

Table 1: Progress to date (July 2022)

<b>Match type</b>	<b>Number of high and medium risk matches</b>	<b>Closed Matches and outcomes from these.</b>	<b>Service Update</b>
Blue Badge Parking Permit	1134	1134 closed.  349 badges have been cancelled; the Cabinet Office estimates a notional saving of £200,675.00 for these.	All matches have been reviewed by the service and the NFI portal has been updated.
Concessionary Travel	1772	57 closed.  No errors or issues identified in the 57 closed.	The service is currently reviewing all remaining matches on the portal, the service has identified 25

			matches where further investigation is needed.
Creditors	4930	4930 closed.	All matches have been reviewed by the service and the NFI portal has been updated.
Payroll	122	122 closed.  No errors or issues identified in the 122 closed.	All matches have been reviewed by Internal Audit and the NFI portal has been updated.
Pensions	553	268 closed.  Overpayments totalling £63,440.03 from 41 matches have been identified and being recovered. These errors relate to un-notified date of death.	The service is currently reviewing all remaining matches on the NFI portal and will update with outcomes once complete.
Residential Parking Permits	6	0 closed.	The service is currently reviewing all matches on the NFI portal and will update with outcomes once complete.
VAT	46	0 closed.	These have all been reviewed by the service however outcomes are yet to be added to the NFI portal.
Procurement	66	65 closed.  No errors or issues identified in the 65 closed.	The remaining match is being investigated by Internal Audit.
Total	8629	6576 closed.  £63,440.03 overpayments identified and being recovered. £200,675.00 in notional savings.	

## Audit and Accounts Committee Forward Agenda Plan

Updated 14<sup>th</sup> July 2022

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log
- Financial Reporting and Related Matters Update – Monitoring at each meeting, covering Integrated Finance Monitoring Report. Lead officers: Tom Kelly/Stephen Howarth/Michelle Parker/Eleanor Tod.
- Internal Audit Progress Report including progress of Implementation of Management Actions, Internal Audit Plan Update and Update on the value of the National Fraud Initiative. Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date. Lead Officer: Mairead Claydon
- Agenda Plan/Training

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
22/07/22 (14/07/22)	Draft Cambridgeshire County Council Accounts 2021-22 ( <i>including Financial Reporting and Related Matters Update</i> )	Annual	Strategic Finance Manager	Eleanor Tod
	Membership of Audit & Accounts Committee	-	Director of Resources/CFO	Tom Kelly
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
29/09/22 (21/09/22)	Draft Cambridgeshire Pension Fund External Audit Plan	Annual	External Auditor	Mark Hodgson, EY
	County Council External Audit Plan 2021-22	Annual	External Auditor	Mark Hodgson, EY
	Annual Whistle Blowing Report	Annual	Acting Head of Internal Audit / Audit and Risk Manager	Mairead Claydon

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
24/11/22 (16/11/22)	Debt Management Six Monthly Progress Update	Six monthly	Head of Revenue & Benefits	Alison Balcombe
	Consultants and Agency Worker Data - Quarter 4 2021-2022 and Quarter 1 2022-2023	Six monthly	Assistant Director for HR Services	Janet Atkin
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
09/02/23 (01/02/23)	External Audit Annual Plan	Annual	Ernst Young	Mark Hodgson

+ = indicates Exempt report

REPORTS TO BE PROGRAMMED AS SUBJECT TO ONGOING INVESTIGATIONS/ADDITIONAL WORK

FACT, HACT and ESACT Recovery of Monies  This is currently the subject of a Police investigation	One-off Report  When the report comes forward it may require a separate confidential appendix if it contains commercially sensitive information for the Council and other parties. This is being led by FACT and so until negotiations are concluded, any updates remain commercially sensitive.	Director of Resources and Chief Financial Officer / Service Director Highways and Finance	Tom Kelly
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