Agenda Item:

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 30th July 2018

Time: 2.00 – 5.35p.m.

Place: Room 128, Shire Hall, Cambridge

Present: Councillors:J French (substituting for Councillor Wells),N Kavanagh,M McGuire M Shellens, (Chairman) T Rogers (Vice Chairman),and J Williams

Apologies: P Hudson andD Wells

Action

97. DECLARATIONS OF INTEREST

None received.

98. PETITIONS AND PUBLIC QUESTIONS

A request to speak was received from Mr Mike Mason in respect of the reference to ERP Gold in the Internal Audit Progress Report. Mr Mason was invited to speak for three minutes in line with the Constitution requirements for public speaking. His request to speak and an accompanying supporting document were circulated to the Committee prior to the meeting and are included as appendices 1 and 2 to these minutes.

Mr Mason spokes as follows "I speak today to agenda item 10 and in particular the table headed 'Summary of Outstanding Recommendations Dependent on ERP Gold' the Internal Audit Progress Report. In my email to Democratic Services on 24th July I referred to the risk to the Council's financial position arising from delays and faulty operation of the new ERP system. I had predicted this risk in my personal letter to members dated 19th March 2018. I received no response from members or senior officers. So we now arrive at a position where the Internal Auditor is now informing the Committee that a number of vital financial processes have yet to be put in place because they are either dependent on proper functionality of ERP Gold or interrelated actions from staff not yet properly instructed or trained to use the system to best advantage. The cost to the Council of under-performing chaotic IT systems has been well known for many years and was graphically illustrated in the Leader's reply to me in March 2017 when he stated that there were multiple failures across the IT estate which in November 2016 were costing the Council £28,000 in lost productivity. Since that time Gradon Consultants (Christine Reed) have been engaged and rapidly dismissed by LGSS following a hyper critical report from

Agylisis and the former Director of LGSS IT has resigned. This series of events points to endemic failure and gross incompetence within LGSS and the Council, resulting in mismanagement of financial records and accounting errors and misstatements. My explanatory email dated 27th July 2018 list the major costs associated with implementation of new systems. These are by no means exhaustive and do not include staff training.

I therefore seek clarification of the Council's share of the costs to date of ERP Gold including software /hardware purchase and service agreements with Agresso and any other specialist / consultants etc. The answer should include cost of delays, downtime loss of staff productivity together with delayed benefits / savings. Members of the Committee should be prepared to challenge the content of the report and I look forward to hearing the debate at Item 10.

There were follow up questions from the Committee.

As the detail requested could not be answered orally at the meeting and required the relevant officers to look at the question and request in more detail outside of the meeting Mr Mason would receive a written response from the Chairman in due course.

99. AUDIT AND ACCOUNTS MINUTES 29th MAY 2018

The Audit and Accounts Minutes for the 29th May 2018 were agreed as a correct record and signed by the Chairman.

100. AUDIT AND ACCOUNTS MINUTES 12TH JUNE 2018

The Audit and Accounts Minutes for the 12thJune 2018 were agreed as a correct record and signed by the Chairman.

101. MINUTES ACTION LOG

Due to work pressures these had only been finalised as a working draft on the day of the meeting and were tabled with Members receiving them and taking away a hard copy for their information. A copy is attached to the minutes as Appendix 3.

102. SAFER RECRUITMENT IN SCHOOLS UPDATE

This updated the Committee on the Schools Intervention Service monitoring of the leadership of Safeguarding, including safer recruitment training in maintained schools undertaken in 2018/19. It provided details of the;

- safeguarding course offered by Governor Services on a traded basis.

- Safer recruitment attendees broken down by full training refresher training and the percentage from each education sector it represented.
- Number of attendees attending the 8 different module training under umbrella title “The Leadership of Safeguarding.
- Numbers of different category schools who had not engaged in any of the leadership of safeguarding training.
- Details of the Knowledge Hub

It was highlighted that the Schools Intervention Service would be RAG (Red, Amber, Green) rating maintained schools to target them for training and safeguarding reviews in the next academic year and RAG rating academies to see if the Service can follow up on their training plans, as the lack of information represented the largest potential risk.

The key issues highlighted were that:

- Safer Recruitment Training had been undertaken in 33% of primary schools in the current year.
- 15% of maintained primary schools had not engaged and now that the gaps had been identified they would be specifically targeted.

In discussion:

- The officers were praised for an excellent report which showed the progress that had been made from the position of a couple of years ago.
- In answer to a question raised it was reported that every Official Independent School subscribed to the Child Protection Service and Commissioned training from the Schools Intervention Service
- In answer to a question raised it was reported that the training was refreshed every three years.
- It was reported that 80% of safeguarding complaints were about academies and mostly regarded headteachers in Secondary Schools.
- In terms of progress on the gaps in provision and when a good time to receive an update report the officers indicated that this should be around Easter 2019

R Sanderson / C Meddle to agree date for work programme

It was agreed;

To note the report.

103. TRANSFORMATION FUND MONITORING REPORT QUARTER 2017-18

This report outlined progress in delivery of the projects for which transformation funding had been approved at the end of the fourth quarter of the 2017-18 financial year.

Issues highlighted included:

- Section 3 Exceptions Page 38 – Dedicated Reassessment Team – Learning Disabilities – although the RAG rating was showing as red General Purposes Committee had recognised that it was nearer amber as the savings would be achieved on a phased basis.
- Section 4 was focussed on Outcomes as requested by the Committee previously.
- Appendix 1 of the report mapped out how the schemes that had Transformation Funding contributed to the County Council Outcomes. The outcome titled 'Cambridgeshire economy prospers to the benefit of all' was contributed to by all schemes as the investment enabled cost savings. It had been agreed at General Purposes Committee that this outcome would not be included in future reports as it distorted the totals.

In discussion:

- One Member queried whether the savings shown were gross or net and whether the investment should be taken out of the saving. As an explanation it was stated that the investment was funded from the Transformation Fund so the Council was getting the benefit of the saving and was therefore shown as a gross figure.
- There was a query regarding why in figure 1 amber and red and green were added up to make a total. It was explained that amber and red were added to Green as all schemes had achieved savings but not to the level expected so it was still appropriate to include them.
- The general view of the Committee was that the table as currently constructed was meaningless. **Action: Julia Turner to update the summary table for future reports to better show how each scheme was performing across the length of the scheme and to provide an explanation of the table.**
- The Vice-Chairman highlighted poor report drafting inconsistencies as the report title stated the report was for quarter 4 2017-18 but the last line paragraph 1.1 referred to the delivery of saving(s) in the current financial year 2017-18 while paragraph 1.2 made reference to the paper providing the third quarterly in-year monitoring update.
- Page 37 - A query was raised regarding scheme titled '*Using Assistive Technology to help people with learning*

disabilities live and be safe more independently without the need for 24 hour or overnight care'. It was explained that while the savings rate was slower than modelled, savings and referrals would pick up due to the increased use of enabling technologies.

Having commented it was resolved;

to note the report

104. ANNUAL RISK MANAGEMENT REPORT

This report provided details of the development of the Council's risk management approach during 2017-18. This Committee was asked to review the Corporate Risk Register at Appendix 1 to the report to ensure it described the appropriate risks the Council was to manage at a corporate level in 2018-19.

General Purposes Committee(GPC) has the executive role in the management of risk across the Council in its role of ensuring the delivery of customer outcomes. Significant changes to the Corporate Risk Register (CRR) were reported to GPC on a quarterly basis. On an annual basis General Purposes Committee and Strategic Management Team (SMT) review the CRR to seek to ensure that all significant risks faced by the Council had been reflected. The Audit and Accounts Committee provides independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

In terms of the summary of end of year position,the Corporate Risk Register ended the municipal year with 10 risks with one risk removed during the year. Of the 10 scores risks, 9 had the same score at the end of the year as they did at the beginning while the risk titled '*Business Plan (including budgets and services) is not delivered*' had an increase in the probability score assigned at the end of the year compared to the beginning of the year.

Section 3 of the report set out details of the Service Risk Registers which were different from the Corporate Risk Register to avoid duplication.

It was highlighted that the major development for 2018/19 would be implementing the recommendations from the Zurich Risk Management Health Check for which their report was set out at Appendix 2 which set out five areas for improvement. The Action Plan to implement recommendations was set out in Appendix 3. Some actions had been completed and the remaining ones werebeing progressed with set target dates.

In discussion on the report issues highlighted by Members included:

- With reference to appendix 1 the Chairman highlighted that all adequacies against all the risks were shown as good and hoped that officers were not deluding themselves. In response it was explained that the adequacy field template was a new feature of the Risk Register and that more work needed to be undertaken by officers with Directorates and, as they had not been reviewed, the Committee was advised to ignore them at the current time.

- With reference to Place and Economy risks one Member enquired whether officers were looking at the Combined Authority regarding those services that they had taken over. In response officers were looking at Partnership risks in Service Directorates' risk registers.

- The Vice Chairman highlighted that on the various charts scores had gone up in some cases and down in others, but that no explanation had been provided. It was explained that the new template contained a section on 'likelihood and vulnerabilities' which should be used to provide information on the scores and associated changes. This box had not been consistently completed and officers would ensure they worked with the Corporate Risk Group to improve this.

- Page 51 risk O1 '*Vulnerable children or adults are harmed'* – the likelihood factors box required text to be added.

- Page 52 – risk 02 '*The Business Plan (including budget and services) is not delivered'* – It was suggested more detail was required on the overspend.

- A theoretical question was raised regarding how the risk was taken into account if one of the Council's major suppliers became bankrupt. It was explained that there were contingency recovery plan mitigation measures an example being the Council's IT Disaster Recovery Plan.

- Page 53 Risk 03 '*Personal data is inappropriately accessed or shared'* - whether reference should be made to liaising with police and other industry experts as a control.

- Page 55 Risk 05 '*The Council does not deliver its statutory or legislative obligations'* - There was nothing showing in the action plans. e.g. inadequacy of appropriate staff after March 2019. No text in Likelihood Factors box. Also Finance not included. In response to the questions raised it was explained that Human Resources implications wereincluded under Risk 6. It was suggested that a recommendation should be made to SMT to make clear the potential staffing implications under Risk 5. Finance was picked up under Risk 2.

- Page 57 Risk 07 – *The infrastructure and Services (Transport, education, services for children, families and adults) required to meet the current and future needs of a population is not provided at the right time* - There was a query regarding the risk of withdrawal of the £400m City Deal monies should there be issues of governance. This was included in the reference in the vulnerability box.

- There was a query on what was the definition of the "Council's risk appetite" In reply it was explained that the Risk appetite was identified using the risk score matrix which sets out descriptions to cover impactors. There was work being undertaken in the action plan to try to provide some more helpful explanation.

It was resolved:

To note the report.

105. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 31ST MAY 2018

This report presented the financial and performance information for the period ending 31st May with oral confirmation that the General Purposes Committee had agreed all the recommendations at their meeting.

The key issues included in the summary analysis highlighted were that:

- The overall revenue budget position was showing a forecast year-end pressure of +£1.8m (+0.5%); which was largely within People & Communities (P&C) (£1.1m pressure), Commercial & Investment (C&I) (£0.9m pressure) and Corporate Services (£0.5m pressure), partially offset by a forecast -£0.9m underspend in Corporate Services Financing. It was anticipated that there was still time to find the necessary mitigations to find the savings with Appendix 5 of the report providing more details.

- The Capital Programme was forecasting a balanced budget at year end. This included use of the capital programme variations budget with the detail set out in section 6 of the report.

- It was highlighted that in terms of the snapshot of the

Authority's performance shown on page 76 in pie chart format it was not possible to provide previous comparator data as these were new targets and this information would only be possible in the next report. As set out in the text for the outcomes data for the heading '*Places that work with children to help them reach their potential'* no information was currently available, as the targets had not been set.

In discussion:

- With reference to Appendix 3 SEND Implementation Grant there was a query regarding why the five Special Educational Needs (SEN) Casework officer posts were only for 12 month fixed contracts when what was required in this area was continuity and asked whether it was a funding issue. **Action: Deputy Section 151 Officer undertook to find and out and respond.**
- On guided busway litigation, the Chairman asked if anyupdate could be given in a public arena. In response attention was drawn to page 96 Row 12 'Place and Economy' – 'Other Earmarked Funds' which included an amount within it for litigation of £1.1m which was to be recovered from the contractor.

It was resolved to note the report.

106. INTERNAL AUDIT PROGRESS REPORT

This report provided an update on the main areas of audit coverage and the key control issues arising for the period 1st March 2018 to 31st May 2018.

Paragraph 1.1 to the main report appendix listed the audit assignments which had reached completion since the previous Committee report. Table 2 listed the audit assignments which had reached draft report stage. Summaries of the finalised reports with satisfactory or less assurance was provided in section 4 of the report under the following headings:

A Cross Cutting Reviews

EU Procurement Regulations Compliance.
Debt Recovery

People and Communities Directorate

Direct Payments Compliance
Deprivation of Liberty – Children and Young People Under 18

Further information on work planned and in progress was set out in the Audit Plan attached as Appendix A.

Section 2 - ‘Fraud and corruption update’ – included the Internal Audit team investigations caseload set out in Table 3.

Section 3 set out the outstanding management actions at the end of May 2018 as set out in table 5.

Section 5 provided updates on the Internal Audit Plan 2018-19.

These included additional work relating to:

- a contractual dispute with Skanska,
- certification over the use of Disabled Facilities Grant in 2017/18.

These additional pieces of work were placing pressures on the Audit Plan as set at the start of the year and as set out in their protocol, Internal Audit recommended an adjustment to compensate namely that the Public Health Joint Commissioning Unit review be removed from the Audit Plan which the Committee was happy to agree. The report also asked the Committee to consider what other jobs the Committee might wish to suggest should be removed to accommodate the additional work. These current pressures were also likely to be further exacerbated by actions expected to be agreed by the special Audit and Accounts Committee the next day on Community Transport.

The Summary of Outstanding Recommendations at the end of May 2018 was summarised in Appendix B. Pages 143 to 146 set out those outstanding recommendations dependent on ERP Gold.

In discussion Internal Audit explained that essential and important recommendations agreed by management but not yet implemented were routinely reported to the Committee. Neil Hunter the Head of Internal Audit, Audit and Risk Management confirmed that it was positive that no recommendations considered to be essential were outstanding at the time of preparing the report. This was a good indication that Internal Audit recommendations continued to be taken seriously by management. The report did however highlight a number of important recommendations that were outstanding. These were highlighted to ensure that management continued to objectively consider the risk/benefit of implementation against the cost of control. Therecommendations did include a number that were dependent on ERP Gold. Given a previous item on the agenda on safer recruitment, Neil Hunter suggested the outstanding recommendation around DBS, which was one dependent on ERP Gold as detailed on page 145 of the agenda, might bring the most benefit to the control environment but explained that the recommendations dependent on ERP Gold were mainly system enhancements rather than a significant weakness that required immediate rectification.

Tom Kelly, the Deputy Section 151 Officer,made reference to the cost of implementation of ERP having been considered by the LGSS Joint Committee. This could be passed on as part of the response to Mike Mason. It was also highlighted that the ERP Gold system had gone live in April 2018 and Tom did not think it had caused significant issues with regard to the delay in the production of the 2017-18 Accounts.

Regarding the current Audit Plan the Chairman noted that the work on CCC Debt Recovery had not yet started. He made the point that in terms of debt not being recovered it might be useful to have details of the percentage outstanding that was the result of people on minimum repayment agreements e.g. Paying small amounts over a long period of time. **Action: The Deputy Section 151 Officer to ask the Debt Manager to include details in the report coming to Committee in September.** **Tom Kelly**

In discussion regarding the Committee making suggestions for removing items from the Internal Audit Plan to accommodate the additional work detailed in section 5.1, the Chairman suggested it would be more helpful for Internal Audit to prepare a list for the Committee and provide justification for continuing to include specific areas in terms of those that achieved the greatest efficiency / impact. **Action: Officers to come back to the next meeting with a proposed list and justification for their removal.** **N Hunter / M Kelly**

It was resolved:

a) To note the contents of the update report.

b) To ask Internal Audit to come back to the next meeting with a list of proposals on what they believed could be removed from their Work Plan for Members consideration.

ACCOUNTS REPORTS

As both the Accounts Report and the Audit Completion report had not been published and circulated within five working days of the meeting in order to be as up to date as possible and as the reason for urgency was to ensure sign off as near to the end of July deadline CouncillorShellens agreed to take them using his Chairman’s discretion pursuant to Section 100B (4) (b) of the Local Government Act 1972. The Vice Chairman did however highlight how little time Members had to have read the two late documents.

107. CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND AUDIT COMPLETION REPORT

In introducing the report Dave Eagles from BDO thanked Tracy Pegram from LGSS Finance for her help and support in achieving a very smooth Audit.

The report highlighted that the audit procedures had been substantially completed in accordance with the planned scope and BDO's audit objectives have been achieved, subject to resolution of matters set out in the outstanding matters section.He highlighted that one minor error and one material error had been identified as detailed in the report.

On the outstanding matters on page 5 the following updates were provided as a verbal update:

1. Work on a verifying sample of level 3 investments back to the underlying Fund audited accounts - this had been cleared out.
2. Clearance of Partner review points this had been cleared out.
3. Final Review and approval of the Statement of Accounts – this would be undertaken on the final signing off day
4. Technical Clearance – this would be completed that day
5. Subsequent events review – this would be undertaken at the last stage and was the only point outstanding.
6. Management Letter of Representation as attached in Appendix VI was to be approved and signed.

No additional significant audit risks were identified during the course of their audit procedures subsequent to their Audit Planning Report to the Committee of 27 March 2018. The subsequent audit identified no material misstatements or significant deficiencies in internal controls.

Their final materiality was £30 million for the net asset statement, £9.5 million for the fund account and £6.5 million for contributions. The increase from £28.5 million to £30 million was as a result of the increase in valuation of investment assets as at the year end. Specific contributions materiality had increased from £6.2 million to £6.5 million as a result of the increased level of contributions at the year end.

BDO highlighted that they were required to bring to the Committee's attention audit differences identified, but which Management were not proposing to adjust. These were:

- Brought forward uncorrected misstatement from the prior year of £640k in respect of omission of accrued contributions due to late PEN18s.
- Current year misstatement of £777k in respect of variances

arising from investment reports used during the preparation of financial statements not being coterminous with year-end and therefore estimates were made. If corrected, this would decrease the net assets of the scheme by £1,417k. This was immaterial compared to the total fund and the threshold of £30m.

In discussion:

- Page 9 the Chairman pointed out that the figures for mortality were different from those shown on page 23 in the draft letter of representation. BDO apologised as this was clearly an error. The figures on page 9needed to be switched around for current and retired.

- The Chairman was pleased that the Audit had not identified any issues and also highlighted the comment on page 11 of the report that indicated that the Cambridge and Counties Bank had not been materially misstated which was a helpful conclusion.

- Page 12 Other disclosures – it was highlighted that investments amounting to £693 million had been incorrectly classified as level 1 instead of level 2 – this was just a mapping issue /clerical error.

The report was noted.

108. AUDIT COMPLETION REPORT (ISA 260) DRAFT FOR THE YEAR ENDED 31ST MARCH 2018

In introducing the report Lisa Clampin from BDO explained that some of the audit procedures remained in progress.

Highlights of the report included:

- That no additional significant audit risks were identified during the course of BDO's audit procedures so the risk profile stayed the same.
- That the final materiality was £16.6 million for the Council Accounts and £16.6 million for the GroupAccounts and did not require reassessment.
- Bringing the Committee's attention to audit differences BDO had identified, but which the Council's Finance Team were not proposing to adjust. Subject to completion of the outstanding matters on page 6, for which an oral update was provided as set out further below, these included:

    - £3.611 million relating to impact of brought forward unadjusted misstatements from 2016/17.

- £473,000 relating to a month 12 depreciation charge calculated using revalued costs rather than pre-valuation costs for assets revalued at 31st March 2018.
- £610,000 being the reduction in assets to fair value – cost to sell (held for sale value) – on this an officer from the Council highlighted that it was only necessary to adjust the value of an asset if there had been a fall in the value of the asset. *(Note: It was the only asset that had not been reflected in the accounts – but it had not been corrected – hence why it was included on the list of unadjusted miss-statements)*
- £599,000 being the correction of journals to cancel sales invoices being posted to expenditure and creditors rather than income and debtors.
- £3.143 million being the difference between the value of the Council's share of pension fund scheme assets per the actuary's report and ourexpectation for the Council's share.

If corrected, these would decrease the deficit on the provision of services for the year by £3.474 million. Further details of the unadjusted auditdifferences were set out in Appendix 1 to the report.

- Identifying a material misstatement relating to the restatement of prior periodbalances against service lines in the comprehensive income and expenditure statement.
- Highlighting details of six other audit differences which had been adjusted bymanagement.
- Stating that while the Council had provided evidence to demonstrate that a review of the draft statement of accounts was undertaken by senior members of theclosedown team prior to publicationdesigned to identifypotential material misstatements in the draft financial statements, the misstatements identified by BDO's audit indicated that in their opinion,the control did not operate effectively. They were obliged to bring this to the Committee's attention as detailed in appendix IX. The Chairman thanked BDO for bringing it to the Committee's attention.
- Detailing the amendments made to the Council's accounting policies relating to derecognition of infrastructure assets.
- Highlighting that the work on infrastructure assets and the Council's treatment of borrowing costs was ongoing.

- Stating that the Council had exceeded its budget in 2017/18 for the second successive year by £4 million which was the forecast position from month 5 and it had needed to draw on reserves to manage the overspend and top up the General Fund Balance at the start of the new financial year to therequired minimum level.

- Stating that the medium term financial sustainability of the Council was seen as a significant challenge with transformation and new ways ofworking needed in order to deliver the quantum of savings required.
- Suggesting that successful delivery of the Council's Commercial Strategy programme was critical to the financial sustainability of the Council in the medium and longer term.
- Highlighting that BDO had received an objection from a local elector and were in the process of considering whether this would impact on their conclusion and, as an update to the report, confirming that they had now received nearly all documentation in respect of use of resources and were finalising their views. An initial view was that the nature of the objection could give rise to value for money implications and this could lead to BDO withholding the value for money conclusion until such time as audit procedures in relation to the objection were concluded.
- That, subject to the successful resolution of outstanding matters set out on page 6, the External Auditor anticipated issuing an unmodified opinion on the consolidated Groupfinancial statements and the Council financial statements for the year ended 31 March 2018 and an unmodified opinion on the consistency of the other information in the Statement of Accounts.
- That BDO had no exceptions to report in relation to the consistency of the Annual Governance Statement with the financial statements to the best of their knowledge.

- Local authorities were required to submit the unaudited WGA Data Collection Tool (DCT) to HM Treasury and auditors by 14 June 2018. The Council had not met this deadline and, at the time of the report's publication, this submission had yet to take place. BDO would complete their review of the WGA DCT following its submission and after they had completed their audit of the Council's financial statements.
- BDO would not be able to issue their audit closure certificate until the 2017/18 WGA DCT has been submitted and the audit of it completed
- BDO's work in relation to the objection received from a local elector on 12 July 2018, in respect of the 2017/18 public rights period had not yet been concluded given the short amount of time between the objection being received and the deadline of 31st July.
- Their work in relation to the open objection received from a local elector, in respect of the 2016/17 public rights period, had not beenconcluded. Additional information requested from Internal Audit was expected to be received by the next day.

The following matters as set out in section 6 of the report were outstanding at the date of issuing the report. An oral update against each was given as follows set out below in colour text:

1Clearance of outstanding issues on the audit queries tracker currently with management and review of information provided in relation to:

- Valuation of land and buildings – complete subject to final reviews
- Leases – one issue outstanding
- Debtors and Creditors – completed
- Income - completed
- Usable and unusable reserves – one query on schools balances received which was currently subject to discussion between the external audit team and officers

2Completion of residual audit procedures relating to the following:

- PFI arrangements – completed
- Contingencies and commitments – aquery had been raised which had been responded to
- Cash flow statement – this was being reviewed.
- Going concern – completed
- Laws and regulations – completed
- Group procedures- in progress

3 Completion of responsible individual, engagement quality control reviewer and manager reviews. In progress

4 Receipt of final draft of the Statement of Accounts and completion of audit procedures to confirm all agreed amendments have been made. In progress

5 Final review and approval by The Committee of the Statement of Accounts – this would be via the next report on the agenda.

The following matters were to be completed at the end of the audit process once all audit procedures had been completed.

6 Technical clearance

7 Subsequent events review

8 Management letter of representation, as attached in Appendix VI to be approved and signed

In response, the LGSS Finance Team acknowledged the close working relationship with the External Auditors and highlighted that they had not been this far ahead in previous years in terms of signing off the final accounts. This required recognition in terms of the significant progress that had been made jointly.

Issues raised in discussion included:

- There was a request for clarification on the likely increase in the External Auditor's fee as a result of the latest objection and the additional cost to Council tax payers. In response Lisa Clampin from BDO explained that the scale fee was intended to cover the main audit and confirmed that work required to respond to the objections raised (also known as challenge work) would incur additional costs for which additional fees are charged. This would be the subject of further discussions with Tom Kelly, the Deputy Section 151 officer.
- In terms of the current and previous objection this would remain BDO's responsibility to report back to the Committee. In terms of the previous year's objection to the Accounts it was clarified that the opinion had been given on the Financial Statement, Value for Money Conclusion and the Whole of Government Accounts Audit, but the audit certificate for 206-17 had not yet been given meaning that the audit had not yet been closed as BDO had not yet concluded on the objection. **Action: Democratic Services to liaise with BDO on scheduling a date for BDO to report back on the current objection and with the detail on the outcome of the objection on the previous year's Accounts.** **RVS**
- In reply to a question from the Chairman it was confirmed that there would be an additional report to the September Committee meeting on the accounts process and how it could be improved going forward. **Action: add to work Programme.** **RVS**
- Whether BDO and their other External Audit colleagues would be making representations to CIPFA / Central Government regarding the difficulties of the new earlier audit deadlines. In response it was indicated that they could feed back to the National Audit Office and CIPFA the problems encountered, but it was highlighted that their views which were against bringing forward the timetable had previously been put forward andhad clearly not influenced ignored by Central Government's final decision.
- A question was raised on whether the earlier timescales had added additional costs to the Council. In response BDO could not confirm whether costs had increased but suggested the constricted timescales could have resulted in more inefficiencies in the process. The Deputy Section 151 Officer added that core audit time had not increased as additional resources had not had to be brought in, rather the priorities had, had to be changed at different times. He did however flag up that there might well be additional costs to

the Council relating to the objections received.

- Attention was drawn to page 10 – Item 3 - Property, Plant and Equipment Valuations and the audit conclusion that information provided by the Council from their valuers to WHE relating to those assets subject to revaluation were not accurate in all respects which had resulted in some unadjusted errors. These were the subject of further discussions to identify what the issues were.
- Concern was expressed by one Member regarding on page 11 under the same heading as above, the material misstatement figure of £22m which appeared to be a lot of money that the Council should be able to utilise. As a response it was explained that this was capital and was in relation to an asset base of nearly a billion pounds and was not money available to the Council as it would only be realised if all properties were sold. The figure had been adjusted.
- Page 14 related party transactions – It was confirmed that the Council should have disclosed these.
- Page 18 Cashflow Statement – It was clarified that there would be some adjustments, but this would not affect the cash balance.
- Page 19 -Changes in the presentation of the Comprehensive Income and Expenditure Statement - as an oral update it was indicated that BDO were happy with the statements.
- Page 21 – Group assets ongoing. De-recognition of replaced infrastructure Assets – An oral update confirmed BDO were happy with the way they had been treated.
- Page 35-40 Appendix II set out the External Auditors recommendations on the current Audit which would require Management responses.
- Page 41 Appendix II set out the recommendations and Action Plan and follow up from the previous year's audit which included the Management responses.
- Page 55 Appendix IX BDO Letter to those charged with Governance regarding significant deficiencies in Internal Control – the Chairman highlighted that the issue had a nil impact on the bottom line and the mistake had been rectified. In reply to a question from the External Auditor on whether the Committee agreed that the uncorrected errors remained uncorrected as being immaterial, the Committee confirmed that this was their opinion.

The report was noted

109. STATEMENT OF ACCOUNTS 2017-18

The Chairman noted that there was currently no reference in the background introduction regarding the 8-9 weeks earlier deadline and while it was now too late to include it in the Accounts, it was important to highlight the fact and record it in the Minutes.

The officers in introducing the report apologised for being unable to provide the report in time for the original agenda despatch explaining that theyhad delayed the accounts document in order to provide the most up to date version to have the best chance to sign off the Accounts in line with the truncated national timetable requirements.

The report highlighted that the latest version of the Accountspicked up the audit differences highlighted when the Committee considered the draft accounts in June.

The Accounts cover report circulated and published with the latest version of the Accounts on 26th July highlighted that one section of the Accounts, namely the indexation uplift in assets,might require adjusting. As an update the Committee noted that this had been covered in the earlier oral update to the Audit Completion report in terms of the £22m increase in asset values, with the agreed position in line with the External Auditor’s view.

Paragraph 3.3 listed the four unadjusted audit differences that the Council had agreed with BDO that it would not makealso included in the BDO ISA 260 Report.

Section 4 of the report set out the lessons learntunder the following headings: Greater Use of System Functionality in ERP Gold; Greater Accountability; Review of effectiveness of Valuation Rolling Program and Review of Resources.

Key issues included:

- Appendix 1 to the report detailed all significant amendments to the draft version of the Statement of Accounts submitted to the Committee in June and which had now been incorporated into the final Statement of Accounts.
- Appendix 2 provided a list of disclosure notes that incorporated changes to figures beyond those resulting from the Core Statement adjustments shown in the table on page 2 of the report, along with a list of disclosure notes that had been removed following assessments of being immaterial to the Accounts.
- Appendix 3 provided a list of known insignificant amendments yet to be made.
- It was confirmed all the suggested changes by Members at the June meeting had been included in the updated version of the Accounts. A couple of queries raised would still require responses in e-mails outside of the meeting.
- A tabled document provided further changes to the published version and is included as appendices to the

Minutes. This report listed the changes made since the 26th July version of the Accounts with the following appendices:

- Cashflow Statement
- Group Accounts documents
- Notes to the Core Financial Statements

The above have been included as Appendix 4 to the Minutes.

With reference to the tabled document on those areas not yet completed, it was reported that:

- On Adjusted Group Accounts – these had now been included in the Final Accounts as a reconciliation
- The page numbers and notes still required to be corrected as already picked up by Members.

Officers sought delegated authority for the Chairman and Vice Chairman to sign off the Accounts in consultation with the Section 151 Officer following the meeting. The delegation to be on the basis that the Accounts only required minor tweaks and recognising that if any subsequent questions of principle / major challenges arose from BDO's completion of their audit, this would require an additional meeting of the Committee.

In debate:

- Councillor Rogers made reference to page 11 of the Accounts and the section on Reserves and the transfers out to meet deficits. It was explained that officers had known of the likelihood of a deficit and this had been factored into the savings plans which included measures to generate additional savings to close the £4m deficit gap.

- Page 66 Reference to the departed Monitoring Officer – a question was raised whether this needed updating. In reply it had been checked with BDO who had said it was not required.
- Page 95 reference to Cromwell Museum stating that the assets were still owned by the Council. One Member highlighted that as he understood it, the freehold of the building was also still owned by the Council. **Action: It was suggested that officers should check whether the wording should be changed to avoid any ambiguity.** **M Savage / J Lee**
- Page 96 Civic Regalia – stating that the financial value of the sundry items was not known. It was suggested that at some stage they needed to be valued for insurance purposes in terms of a replacement value. **Action: officers agreed to look into this further.** **M Savage / J Lee make contact with Bev Speller**

It was resolved:

a) To approve the 2017-18 Statement of Accounts and delegate their sign off to the Chairman and Vice Chairman of the Audit and Accounts Committee in consultation with the Section 151 Officer on the basis that any further changes identified by External Audit were only of a minor nature.

b) That if any subsequent questions of principle / major challenges arose from BDO's completion of their audit this would require an additional meeting of the Committee to consider the changes and to sign off the Accounts.

110. FORWARD AGENDA PLAN

Noted as set out with changes agreed at the meeting and also a request made to receive an update report on Capacity Building and Demand Management in Children's Services to the September Committee meeting.

RVS to contact Lou Williams

111. DATE OF NEXT MEETING THURSDAY 20TH SEPTEMBER

Chairman
20TH September 2018