

Audit and Accounts Committee: Minutes

Date: 13th July 2021

Time: 2:00 – 3.50pm

Place: University of Cambridge Sports Centre

Present: Councillors J French (substituting for Councillor McGuire), N Gay, A Sharp, S Taylor, A Whelan and G Wilson (Chair)

Officers: Gillian Beasley, Dawn Cave, Fiona McMillan and Michelle Rowe; Tony Cooper, Stephen Howarth and Neil Hunter (Items 1-9 only)

Advisor: Simon Goacher (Weightmans)

1. Notification of the appointment of Chair

It was resolved to note the appointment of Councillor Graham Wilson as Chair of the Audit & Accounts Committee for the municipal year 2021/22.

2. Apologies for Absence Declarations off Interest

Apologies were presented on behalf of Councillors M McGuire (Councillor French substituting) and C Boden.

3. Minutes of the Audit and Accounts Committee meetings held 23rd and 26th March 2021

It was resolved to note the minutes of the meeting held on 23rd and 26th March 2021 as correct records of those meetings.

4. Committee Action Log

It was resolved to note the Committee Action Log.

5. Internal Audit Progress Report

The Head of Internal Audit and Risk Management presented a report on the main areas of audit coverage for the period to 31st May 2021. He outlined the usual format of the report and the areas that were covered.

He explained that during any year, new risks would always emerge, and the Internal Audit Plan was updated quarterly to reflect this. The Annual Audit Report would be presented at the next Committee meeting on 22nd July and would give the Committee some assurance. Members noted:

- the progress report on high risk contracts;

- the detailed open book review of the Highways Contractor, ensuring payments made were accurate. As a result of this exercise, £66K of over-recovered payments had been repaid to the Council;
- that 18 audits had been concluded since March 2021, and the outcomes of those audits;
- the review of the robustness of the Council's maintained school payroll monitoring and assurance systems, which were maintained by three external payroll providers. Limited assurance had been given, because whilst these payroll providers had given assurance statements regarding their payroll systems, this had not been backed up with evidence or information regarding the control environment of their systems;
- The audit work undertaken on Key Financial Systems, noting that all had received an audit opinion of 'Satisfactory' or better. The audit on Payroll still needed to be finalised, but the Head of Internal Audit assured Members that there were no concerns in relation to that piece of work, but some analytical fieldwork was still being progressed;
- The proposed areas of audit for the next four quarters;
- How actions recommended as a result of audit work were taken very seriously by management, and almost universally accepted and implemented at the earliest available opportunity. This information was reported both to the Audit & Accounts Committee and JMT;
- that there were two key outstanding actions. One related to the corporate complaints policy, and it was noted that the Complaints Management Solution would be fully implemented by 30/09/21. The review of aged debt only recently became overdue, and the reasons for the delay were noted. Again, it was expected that the recommendations would be fully implemented by 30/09/21;
- Noted ongoing work regarding This Land, specifically the governance arrangements with that wholly owned company.

Arising from the report:

- A Member asked how it was possible to give Schools Payroll a rating if officers were unable to view the systems of the external providers. The Head of Internal Audit advised that sometimes they had to rely on the assurances given by third parties, and resources had to be targeted appropriately. For this reason a "Limited" assurance was given;
- With regard to Debt recovery, there was a discussion on the terminology used, and whether it would be feasible to move from a Satisfactory to Good audit opinion in this area. A Member commented that it can be difficult without prior experience of audit work to

understand the nuances in the terminology used. For areas with Minor impact, Satisfactory audit assurance could be the desired level. More generally, a 'traffic light' system can be used to flag areas for attention in a more understandable way;

- A Member observed that some of the narrative was quite lengthy, and it would be helpful in future if key areas were summarised more succinctly;
- In response to a Member query on the Schools Payroll audit about "Schools Causing Concern", it was noted that audit resources had to be targeted, and available intelligence was used to identify those schools and schedule audit work accordingly;
- In response to a query on the National Fraud Initiative, it was noted that this was a relatively new scheme whereby data sets across a variety of service areas were matched nationally with agencies such as HMRC to prevent and detect fraud and error. 412 of the Council's 8625 matches had so far been reviewed by the Internal Audit team, and resulted in the recovery of over £63K as a result of pension payments made to a deceased person. It was observed that in addition to cases of fraud that were exposed, the NFI had a deterrent effect. The Chairman commented that the Council's work in this matter could be highlighted via media channels to enhance this deterrent effect;
- In response to a query on the lack of a Complaints Procedure, the Monitoring Officer advised that the issue was that previously there was no single complaints policy in place. In addition, work had to be reprioritised with regard to the Digital Complaints Management Solution, but this should be in place by September, and she was comfortable that this was being progressed;
- On the issue of collaborative work to counter fraud, a Member asked if there had been any progress with the County Council's involvement in the Anglian Revenue Partnership (ARP). It was noted that participation in the ARP had been overtaken by issues relating to the pandemic, but officers confirmed that work was ongoing with neighbouring District authorities to prevent fraud.

The Head of Internal Audit advised that his team had been commissioned to undertake a deep dive across four key capital schemes within Place & Economy, and to also produce an overarching governance report. Most of the recommendations from the Major Infrastructure Delivery audit, that had been reported to Committee in 2020, had been followed up. From an Audit perspective, the success of the overarching governance review would not be known until it had been in place for a while, but indications were that the situation was improving.

The Executive Director: Place & Economy advised that the audit stemmed from concerns that major projects were going over budget. 26

recommendation had been taken up through the Service, covering twelve key themes, and regular updates had been provided to the Highways & Transport Committee. A main focus of the audit was the control environment, i.e. ensuring that the right systems and processes in place, and this was being overseen by a Major Infrastructure Delivery Project Assurance Group, which included representatives from across the Council. An update had been received in June, which had reported good progress, but there was still work outstanding. He advised the Committee that a significant number of interim staff were being used in Highways, and the new Director of Highways would be appointed shortly. Another key area was related to commissioning and procurement, and staff were being supported through a comprehensive training programme.

Arising from the presentation:

- A Member asked if there was a risk that highway projects would stall as a result of the restructure. The Executive Director commented that it was very important that continuity was not lost. The interim team were doing an excellent job and that those staff would stay in place until the new appointees were in post;
- A Member commented that it was disappointing that Civil Parking Enforcement was not being presented to the July meeting of Highways & Transport Committee, and she hoped this would be progressed as soon as possible;
- The Chairman asked the Executive Director what further support and challenge the Committee and Head of Internal Audit could provide to the Place & Economy Directorate, and whether he felt that the Highways & Transport Committee had the appropriate skills, especially as it appeared that a number of key projects that had been progressing for some time were not yet delivering on the ground. The Executive Director confirmed that Highways & Transport Committee would be considering an update report at each meeting, but he would welcome any challenge from Audit & Accounts Committee. It was agreed to receive a further update in six months. **Action: Democratic Services Officer to add to the Agenda Plan.**

It was resolved to note and comment on the report.

6. Integrated Finance Monitoring report for the period ending 31 March 2021

The Committee considered the Integrated Finance Monitoring report for the 2020-2021 financial year, which had been considered by the Strategy & Resources Committee on 6 July 2021.

Members' attention was drawn to the £6.3M overall revenue budget underspend at year end, which was more than forecast in February. A key

pressure was the £12.4M positive variance in the budget for SEND Specialist Services. Members also noted that the General Reserve balance was currently at £26.1M, and stood at 4% of gross expenditure. There was a slightly improved debt position, and a fuller report would be provided at the Committee meeting on 22 July. Variations to the Capital programme budgets were also noted, and the reasons behind these.

Arising from the report:

- A Member queried Capital borrowing, specifically the 'elbow room' the Joint Administration had for infrastructure projects, especially in the Green area. It was confirmed that financing was predominantly through the Public Loans Board, rather than the Municipal Bonds Agency. Internal Borrowing Rate was also used for short term finance;
- In response to a question on the borrowing rates, which appeared to be high, it was confirmed that this was because they have accrued over period of time, reflecting rates available potentially decades ago which were long terms loans still being paid back;
- In response to a question on the Council's ability to borrow against the Prudential Code, it was noted that each year the Council had to approve limits known as Prudential Capital Indicators for the level of its external financing costs and the maximum limits on total debt. Actual external financing was much lower than planned for 2020-2021, mainly due to underspend during the pandemic. This may return to the expected trajectory once normal circumstances resume;
- On a general point, a Member commented that whilst it was interesting to review the reports that were considered by Strategy & Resources Committee, it would be more appropriate for Audit & Accounts Committee to receive a summary, highlighting key areas such as overspends and underspends. The Chairman agreed to take soundings from the joint administration's leaders on the extent to which they saw this Committee scrutinising these reports, on the understanding that the detail was considered at Strategy & Resources and the relevant Service Committees. However, the Committee still needed to understand the high level direction and emerging issues.
Action required.

It was resolved to note and comment on the report.

7. Integrated Finance Monitoring report for the period ending 31 May 2021

The Committee considered a report detailing financial and related information to assess progress in delivering the Council's Business Plan over the first two months of the financial year, which had been considered by Strategy & Resources Committee on 6 July. The overall revenue budget position was

broadly balanced, showing a forecast year-end pressure of +£0.3m. Attention was drawn to the table within the report setting out key funding changes required with the capital budget, which had been approved by Strategy & Resources Committee.

A Member asked whether there was any information available on capital funding changes that it had been agreed not to pursue? Officers agreed that there were some schemes which were not being progressed, within the remit of CYP and Adults & Health Committees. It was agreed that that information would be circulated to Committee Members, for information. Action required.

It was resolved to note and comment on the report.

8. Committee Agenda Plan

It was resolved to note the Committee Agenda Plan.

9. Farm Audit Update

Introducing the report, the Chief Executive outlined the background to the Manor Farm Audit and its recommendations, which was considered at three Audit & Accounts Committees on 5 March, 23 March and 26 March 2021.

At the meeting on 26 March, the Committee had agreed to make a confidential progress report available for public consideration. That report included progress on the County Farms Audit Management Action Plan, which comprises 31 recommendations to strengthen policies and procedures of the County Farms Service. In addition, there were eleven recommendations for further action in relation to financial, transparency and conduct issues, and the Chief Executive and Monitoring Officer gave an update on progress on those areas:

- The Respect@Work policy had been reviewed and updated, with input from staff and recognised trade unions, and published. The revised policy would be relaunched with a communication campaign. There had also been a staff engagement survey, specifically focused on staff's experience of respect at work, including interactions with Members. This survey had closed on 2 July and the results were being analysed. This information would feed into an action plan which would be published before the end of July;
- Policies in relation to Violence and Aggression at work were under review. At previous Committee meetings, concerns had been expressed not just about how staff are treated within the Council, but

what took place more widely. The existing policies were more directed at serious incidents rather than “lower level” behaviours, but it was acknowledged that those types of behaviours could still have a significant impact on the health and wellbeing of staff. Those policies would be reviewed and considered at the Staffing and Appeals Committee in September 2021;

- The Council’s Whistleblowing Policy had been updated by the Head of Internal Audit and his team, and this had been reviewed by JMT, and would be considered by Trades Unions, prior to consideration at the next Audit & Accounts Committee meeting on 22 July;
- The Chief Executive stressed that all of these policies would be well publicised with staff, and the intention was to regularly engage with staff and feedback to Committee on any issues that arose;
- The Monitoring Officer advised that a training session covering the Member Code of Conduct and Conflict of Interest issues had taken place in May 2021 for all newly and returning Councillors. This training session had been well attended, and had also been recorded so that it was available to Members at a later date. At the July meeting of the Constitution & Ethics Committee, Members would also be considering a Conflict of Interest policy for Members and a report on the Mazars recommendations regarding potential actions in respect of Code of Conduct issues.

A number of Members commented positively on the amount of progress made on the policy and training issues since March, and commented that the Respect@Work and Whistleblowing policies would advance the Council further on these issues.

The Assistant Director: Property presented an update on the 31 recommendations that formed the County Farms Audit Management Action Plan. The Chairman advised Members that these recommendations had been considered in detail at Audit & Accounts Committee meetings in March, and a number of had been concluded at that stage.

Recommendation 1: carry out a comprehensive review of team policies and procedures, and introduce formal written process documentation for all key processes. This should include establishing clear approval requirements for financial decisions. Officers confirmed that the first set of updated policies had been presented to the County Farms Working Group in March 2021, as were due to be completed by September 2021.

Recommendation 3: a single set of KPIs (Key Performance Indicators) be introduced to assist the effective measurement of team performance both within Strategic Assets and where appropriate, as part of the corporate performance reporting. The second iteration of KPIs had been completed and were being fed into the full corporate KPI review to ensure full alignment. This process would be concluded by September 2021. It was noted that some of the Farms KPIs would be reported to Strategy & Resources Committee.

Recommendation 17: County Farms team should take legal advice on the interest rates currently used in their tenancy agreements, and consider lowering the Default Interest Rate in any new tenancies granted, to reflect present low interest rates and ensure that such rates are enforceable by the Council. The basis of this recommendation was unclear, as the Farms interest rate was close to the CCC Scheme of Financial Management debt interest rate of 8% over base rate, in line with debt recovery processes.

Recommendation 20: Introduction of a Rent abatement policy. A policy had been drafted and would be presented to the County Farms Working Group.

Recommendation 21: The County Farms Capital Investment Procedure should be updated to require evaluation of the cost of the scheme against the expected rental price increase on the open market. This procedure had been updated and agreed with the Director of Resources, and would be considered by the County Farms Working Group.

Recommendation 22: The Capital Investment Procedure should be updated to state that Business Cases should be produced at an earlier stage in the process. A revised Landlord Improvements and Improvement Chart had been implemented and had already been used. It would be taken to County Farms Working Group for endorsement.

Recommendation 24: Legal advice should be sought regarding repayment of Improvement Charges when tenants leave earlier than anticipated. Instruction had been delayed pending further investigation to identify an appropriate specialist agricultural legal advice, which was proving to be a challenge.

In response to a Member question, it was noted that the membership of the County Farms Working Group had been discussed at Strategy & Resources Committee, and that the date of the next meeting of that Working Group had not yet been decided, but that was a matter for Members. The Member suggested that this needed the input of the Director of Resources and the Leader of the Council. The Chief Executive agreed to raise this issue with the Leader and Deputy Leader. Action required.

The Assistant Director: Property advised that all of the following actions had been either closed or completed:

Recommendation 4: A data cleanse of property data and County Farms being included as active users on the new property asset management system currently being procured. It was confirmed that the data cleanse had been undertaken in full, with corrections made where appropriate, and a further review had been carried out. With regard to the Property Asset Database, that process was ongoing and due to be completed in Summer 2022.

Recommendation 5: Each County Farm should be assigned a unique property code. All County Farms now had a three digit code included on the finance system.

Recommendation 6: all invoices raised by County Farms for 2018/19 and 2019/20 should be checked and reconciled with the Rental Agreement Spreadsheet. This reconciliation had been completed.

Recommendation 7: set up “subscriptions” for each tenant for recurring invoices. This was complete subject to amendments required on ERP Gold.

Recommendation 8: charge interest on all debts, in line with the rate specified in the relevant tenancy agreement. This had been completed, although it was noted that the application of interest remained a discretionary process, depending on the reason for the debt. The default approach remained to charge interest unless there were extenuating circumstances, e.g. serious illness, where it would be unfair or punitive to charge interest.

Recommendation 9: develop and implement a formal policy on debt management. This had been completed and there was now a formal policy on debt management. As noted against the previous recommendation,

in extenuating circumstances it was more appropriate for the County Farms team to deal with the tenant, but straightforward debt was dealt with by Debt Management colleagues.

Recommendation 10: A policy on tenancy advertisement should be formalised and documented. This was now in place. Six farms had recently been advertised, and a total of 64 formal applications had been received for those six farms.

Recommendation 12: to encourage a more diverse range of businesses, it is recommended that the County Farms team provide both agricultural use and business proposal versions of the application forms and budget forecast forms. The form had been amended to suit both agricultural and non-agricultural purposes.

Recommendation 13: evaluation criteria should be reviewed and aligned with the criteria which are made public to applicants on the Council's website. All information was now available on the website. The evaluation criteria applied to all tenancies.

Recommendation 19: formal guidance to officers within the County Farms team about the rent review process is produced, in line with RICS and CAAV guidance. This action had been completed. It was clarified that CAAV referred to the Central Association of Agricultural Valuers.

Recommendation 27: a clear housing standard should be established. This Standard had been prepared and agreed by the County Farms Working Group.

Members were pleased to note the progress made. A Member asked whether once the recommendations had been bedded in, these would be fed into the wider Internal Audit work programme going forward, to ensure that implementation was effective. The Head of Internal Audit confirmed that this would be factored into the programme for late 2021/22, so that there would be opportunity for the Committee to revisit this area.

It was resolved to note the progress of actions which arise from the Farms Audit.

10. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the following report contained 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.

11. Farms Audit Report

A report was considered regarding what further material relating to the Farms Audit.

It was resolved unanimously to consider the options in relation to publication of the Farms Audit draft internal audit report.