

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 26TH January 2016

Time: 2.00 – 5.05 p.m.

Place: Room 128, Shire Hall, Cambridge

Present: Councillors: S Crawford, R Henson, P Hudson, M McGuire, M Shellens, (Chairman), P Topping and J Williams

Apologies: None

Action

181. DECLARATIONS OF INTEREST - None

182. MINUTES

The minutes of the meeting held on 24th November 2015 were confirmed as a correct record and were signed by the Chairman.

183. AUDIT AND ACCOUNTS COMMITTEE ACTION LOG FROM MINUTES

The Committee noted the completed actions /updates provided in relation to the minutes from the last meeting and earlier outstanding actions as set out in the report.

The following issues were raised / comments made:

From the Minutes

a) Minute 168 Action Log from Minutes a) 118 Home to School Transport

Regarding the challenge of reducing school transport costs, it was considered that it would be useful to request that the Chairman of the Total Transport Board be invited to attend the March Committee meeting to update Members on progress in relation to developments to reduce transport costs and the wider integration of transport provision within the County Council. **Action: Democratic Services**

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son to
contact
Cllr van
de Ven**

b) Minute 168 Action Log from Minutes b) 118 Annual Governance Statement

At the September meeting a question was raised on whether the public had any input into the Member Review Group looking at public consultation, to which the response received had been no. The Chairman who had not been satisfied with this response had that morning met with Mike Soper and Sue Grace to discuss the issue further.

Issues raised from the January Action Log

c) 1b) Page 11 Proportion of pupils attending Cambridgeshire as schools judged good or outstanding by Ofsted

While it was still too early to draw any conclusions with regard to the relative performance of primary academy and maintained schools due to the short time they had been open, the Chairman indicated that he would still wish to receive quarterly e-mail updates. These would provide the proportion of pupils attending good and outstanding primary academies and the proportion of good and outstanding primary maintained schools.
Action

S Heywood to arrange with CFA Finance

d) Action Log from Minutes – 9d) Minute 136 Annual Governance Statement – Customer Feedback Questionnaire

The Chairman indicated that he could not remember receiving the updated questionnaire and requested that a further copy was sent.
Action

M Kelly

e) 4. Minute 157 Statement of Accounts – a) Short Term Payables breakdown of the main items in a note to be circulated outside of the meeting

It was explained that this request from the Chairman at the September meeting would involve considerable further officer resource as there was no electronic shortcut to obtain the information. Previously the request could not be complied with due to the need to concentrate officer resources on the AUC data work to be able to finalise the accounts. The Chairman agreed to discuss this further, outside of the meeting *Post meeting Note: having considered the issue further and noting that the resources required would not constitute value for money, the Chairman has agreed to waive the request.*

f) 4. Minute 157 Statement of Accounts – d) Outstanding invoices – less than three months - Appendix 1

In respect of the breakdown provided in Appendix 1 and with reference to the second bullet note reading “The £11m figure for 14-15 Debt 1-30 days old includes £9m of invoices for ES against the debt type ‘Sustainability infrastructure’ and the £9m being made up of 9 invoices” **there was a request from the Chairman for a breakdown of the 9 invoices. Action**

C Malyon

There was a query regarding why there was still a considerable amount of debt relating to 2013/14. It was explained that a large part of this related to a CCG Shared Service transfer agreement ([relating to the Learning Disability Pooled Budget](#)). **Action. It was agreed that an update note would be provided on the position on the debt relating to the CCG transfer.**

C Malyon

Post-meeting clarification note: The CCG debt is not still outstanding in 2014-15 having been settled early in 2014 /15. The table included as an appendix simply compared the level of debt broken into the different age

categories as at 31st March 2014/15 and 31st March 2013/14.

g) Minute 161 Risk Management Report – Request for update on whether the City Deal was included on the Economy and Environment Committee Risk Register

It was confirmed that there was a risk relating to the failure of the City Deal included on the E and E Committee register.

In discussion it was clarified that the issue of concern regarding the original reply received from ETE at the earlier meeting was that it had only responded on the issue of the recruitment and retaining staff to deliver all of the programmes, and not the wider, strategic concern in respect of the impact on the County Council, should the City Deal fail. Members were concerned that the failure to undertake projects could lead to future years' monies being withheld and this would then impact on the County Council's initiatives for tackling congestion etc. Councillor McGuire made the point that City Deal finance was additional monies and that the Council were in no worse position than it would have been without the additional monies to start with.

In discussion **officers recognised that the trigger needed to escalate the risk from the E and E Risk Register to it becoming a strategic risk on the Corporate Risk Register needed to be further explored.**

S Grace

h) 7. Minute 170 – Internal Audit Report to 31st October 2015 – b) Redesign of the Whistleblowing Poster

In response to a request for an update, the Committee was informed that it was being redesigned by the Council's Counter Fraud team and was to be included as part of their new website launch. **Action: The Chairman requested that he was sent the proposed new design when available and also provided with a date when the website would go live and how it was intended to make staff aware of the Whistle Blowing Policy.**

M Kelly

i) 9) Minute 174 Assurance Framework Update – a) whether need for additional assurance to cover reputation risk on the Council Accounts

An oral update indicated that an e-mail had been sent the previous day confirming that no additional risk was required, as it was already covered by the main risks around the budget already included on the Corporate Risk Register.

j) Minute 174 Assurance Framework Update – b) clarification of whether there was a general risk and assurances around not complying with statutory responsibilities / duties placed on the Council

While the action had been completed under Risk 20 on the Corporate Risk Register titled 'Non-compliance with legislative and regulatory requirements' the original query raised by Councillor Crawford regarding

the potential risk resulting from new adults legislation in respect of care in the community / transforming lives and possible legal challenge if the Council was no longer meeting its statutory responsibilities (as a result of continued cuts) was an issue for her to raise at Adults Spokes as an issue for the Adults Committee Risk Register. **Action: The Chairman asked that the Member pursue this in her Adults Spokes role and report back to the next Audit and Accounts Committee**

**Cllr
Craw-
ford**

CHANGE IN THE ORDER OF THE AGENDA

It was reported that the External Auditors would not be present at the meeting to introduce their reports. As there were no specific recommendations associated with their reports, other than to note them, with the agreement of the meeting, the Chairman changed the order of the agenda, to take a number of the reports included later on the agenda before the External Audit reports.

184. RISK MANAGEMENT REPORT

This report provided:

- details of the Key Corporate Risks faced by the Council,
- details of the significant changes to the Corporate Risk Register since the last Report in September 2015
- the profile of risks faced by corporate and executive directorate.

The table in paragraph 3.1 provided an analysis of Directorate Residual Risks as at December 2015. Appendix 1 illustrated the profile of Corporate Risk against the Council's risk scoring matrix which included the following three red residual risks:

- Risk 1a) Failure to deliver a robust and secure Business Plan over the next 5 years
- Risk 1b) Failure to produce a robust and secure Business Plan
- Risk 9 'Failure to Secure Funding for Infrastructure'

The report also provided details of discussions at the Corporate Risk Group (CRG) and recommendations to Strategic Management Team (SMT) which had resulted in the following changes:

New risks agreed to be recommended for inclusion in the Corporate Risk Register:

- New Risk 29: Failure to address inequalities in the county.
- New risk 30. Failure to deliver Waste savings / opportunities and achieve a balanced budget

Regarding the issue raised by Audit and Accounts Committee at its September meeting on whether the City Deal should be included on the Council's Corporate Risk Register, it had been decided that there was not the need for a separate risk to that already included on the Economy and Environment Committee Risk Register. In addition, there was to be further discussion at the 3rd February CRG regarding the following indicators

raised at General Purposes Committee for the reasons detailed in the report:

Risk 9 - Failure to secure funding for infrastructure - issues around new communities.

Risk 29 – Failure to address inequalities in the County – more actions required with the intention to review it to ensure there was a whole Council approach.

In addition, following a request from General Purposes Committee Risk 27 ‘The Pension Fund is materially under-funded’ it had been decided that this was to be re-worded to say ‘the Pension Fund had the potential to become materially underfunded’.

In relation to 15 ‘Failure of the Council’s arrangements for safeguarding vulnerable children and adults’ concerns were raised that there was not any real detail provided on the actions being taken. In response it was explained that the key controls / mitigations were already in place, as shown by the names of the strategies and processes listed under that heading. However as safeguarding children was already a particular focus of the Committee, there was further need for assurance from both Children and Young People and Adults Committees that they were satisfied that the key controls / mitigations in place were considered to be effective, and to ask them to consider whether any other actions needed to be considered for inclusion. **Action: Democratic Services to take up with lead officers to ensure reference was included in future Risk Register reports to the two responsible Committees.**

RVS

Members expressed concern that the ‘Target Dates’ at several places had been passed and required update. It was explained that this had been a timing issue as the report had been produced in November and therefore **the next report due to come forward in March would provide necessary target date updates.**

**S Grace
/ S
Norman**

Other Issues raised by Members included:

- **Action: Request for officers to look at the presentation of appendix 1 Residual Risk Map as currently it was not easy to identify movement of risk and where it was heading.** Sue Grace undertook to review it and look at different models. **The Chairman requested that options should be circulated to Committee informally for initial comments.**
- The Chairman queried whether under risk 1a) ‘Failure to produce a robust and secure Business Plan over the next Five Years’ the probability score of 4 was appropriate and should be 5. The Director of Finance explained that there were robust business planning processes in place (involving Members in budget planning meetings at various stages in the budget building process) to arrive at the current score and therefore the score of 4 was justified. Councillor Shellens expressed his concern regarding the Pensions Fund position in terms of being able to cover potential liabilities as

**S Grace
/ S
Norman**

a result of the current volatile stock markets and whether officers were happy with the figure for the tri-annual review being undertaken later in the year. It was explained this had been drawn up before problems with the Chinese financial markets and it would be for the Pensions Committee to decide if it was a blip in the markets which would recover over time, or was something that would require a change in investment policy. With regard to this, it was highlighted that the tri-annual review officer took a longer term view of what was considered the adequate level of funding required to meet future liabilities.

- A question was raised regarding the current liability to the Council of its employer pensions bill contribution. It was explained that the payroll figure was around £100m, with on-costs for pensions being 21%, equating to a figure of around £20m and therefore on current estimates, there might be a £1.2 million increase in costs. In terms of the overall budget, there were other, far greater risks to financial stability.
- **On 1b) 'Failure to deliver the current 5 Year Plan' it was considered useful if the date of the Plan was also included (e.g. 2016-17 to 2020-21)** **S. Grace
/ S
Norman**
- Risk 3 – 'The Council does not have appropriate staff resources with the right skills and experience to deliver the Council's priorities at a time of significant demand pressures' – **Action: In respect of the key control / mitigation titled 'Workforce Development Programme there was a request for target dates to be inserted.** This linked to a report from Martin Cox included separately on the agenda. **S Grace
/ S
Norman**
- **Action: On Risk 3 the actions description 3. titled 'Annual employee survey to feed into LGSS service improvement plans' there was a request for an update.** **S Grace
/ S
Norman**
- Again on Risk 3 and the key controls, an issue was raised regarding whether the Council was confident that it had a sufficiently developed workforce in terms of skills and training to deal with the challenges ahead. Added to this, the Chairman questioned whether, in the current financial climate there was a reduction in the attractiveness of the Council as an employer to prospective candidates for jobs. In response details were provided of the measures being taken to increase the skills base, including the Social Care Recruitment Strategy and the review of management band and Heads of Service pay structures in order to provide more opportunities for progression. There was discussion on the need to consider a market supplement process to combat the adverse situation caused by the high prices of homes in Cambridge and the surrounding area. It was explained that while officers shared Members view of the need to try to retain the best staff, it was not possible to guarantee security of job tenure in the current continued year on year decline in Council budgets.

- In response to a question regarding the effect on services from the influx of refugees fleeing the Syrian / Iraq civil wars, it was explained that for the County Council there were a few unassigned children being looked after, with the costs, in the short term, being covered by the Government. As a result, so far there had not been a significant burden. The Chairman highlighted that going forward after Government funding there could potentially be a significant increase in fostering costs.
- Risk 9 'Failure to secure Funding for infrastructure' - queried key control 7 titled 'County planning obligation strategy being developed for Districts and CCC' in terms of its relevance to the risk. **Action: It was agreed this would be reviewed.** S Grace
/ S
Norman
- In respect of Risk 20 Non Compliance with legislative and Regulatory Requirements - It was highlighted that there were no actions against this risk **Action: There was a request for officers to review whether actions needed to be inserted.** S Grace
/ S
Norman
- Risk 22 - Cambridgeshire Future Transport Programme fails to meet its objectives within the available budget. The target for some of the mitigations was January 2016, while at the top of page 6 there was a target date of March 2017. **The Chairman requested that stepping stone dates should be added.** S Grace
/ S
Norman
- Risk 24 titled 'A lack of information Management and Data Accuracy ...' **Action: The target date for roll out of EDM needed updating, as it was still showing March 2013** S Grace
/ S
Norman
- Risk 28 – 'Lack of Capacity to respond to rising demand for service provision' – **Action: There was a request for an update of the status of description 4 and the refresh of the 'Looked after Children Placement Strategy'.** S Grace
/ S
Norman

It was resolved to note the report

185. INTERNAL AUDIT PROGRESS REPORT TO 31ST DECEMBER

This report provided details of the main areas of audit coverage for the period 31st October to 31st December 2015 and the key control issues arising.

Since the previous Progress Report to the Audit and Accounts Committee in November 2015, the following audit assignments had reached completion:

Table 1: Finalised Assignments

No.	Directorate	Assignment	Compliance Assurance	Systems Assurance
1.	Children, Families & Adults	Fairer Contributions Policy	Moderate	Good
2.	Children, Families & Adults	Direct Payments	Limited	Moderate
3.	Children, Families & Adults	Purchasing and Payments in Schools Consolidated Report	Moderate	-
4.	Public Health	Pilot Work with Peterborough City Council	Good	Good
5.	Economy, Transport & Environment	Total Transport Pilot	Good	Good
6.	Economy, Transport & Environment	City Deal – Embedded Assurance	N/A	N/A
7.	LGSS	Duplicate Payments	N/A	N/A
8.	Economy, Transport & Environment	Local Sustainable Transport Fund Grant	N/A	N/A
9.	Public Health	National Fraud Initiative Investigation Report – PAYE Error	N/A	N/A
10.	LGSS	National Fraud Initiative Investigation Report – Identity Fraud	N/A	N/A

Summaries of the finalised reports with moderate or less assurance were provided in Section 6 of the officer's report.

Further explanation was requested with regard to the Limited Assurance given on the Direct Payments review. It was explained this related to the way the direct payments were identified for monitoring, with it being identified that new direct payments were not being monitored. Internal Audit had identified a new way to gather data from the information system and going forward, the issue would be addressed.

Table 2 provided details of audit assignments which had been issued as draft reports and which were awaiting management response and finalisation. Summaries of the finalised reports with moderate or less assurance were provided in Section 6 of the report.

The most up to date audit plan was attached at Appendix A and as previously agreed 242 days had currently been earmarked as unallocated. Paragraph 3.1 of the report provided a summary of the allocation of the resources. Attention was drawn to page 168 in respect of the review of Adult Safeguarding where the Service had asked for a deferral until 2016-17, as work was underway to develop a new safeguarding process as detailed in paragraph 3.2. As this was a high risk area, Members views were sought. In reply to a question on when the report would be moved back to, it was explained that as the terms of reference were already prepared it could be reviewed in April 2016 for reporting back to the June Committee. The Committee was happy to agree the change on the above revised basis.

Issues raised by Members included:

- | | |
|--|----------------|
| <ul style="list-style-type: none"> • Para 1.2 second para last two lines reading "... confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders" the Chairman suggested the following wording might be more appropriate: "where all major risks have been identified and mitigated". Action Officers to consider rewording | M Kelly |
| <ul style="list-style-type: none"> • Section 2 Finalised assignments – on the table in future where it is indicating N/A (not applicable) a sentence against each should be provided explaining why. Action Officers to provide explanation in future reports for greater clarity | M Kelly |
| <ul style="list-style-type: none"> • Section 3 'Audit Plan' In future where showing cancelled / deferred explanation to be provided. Action Officers to provide explanation in future reports for greater clarity | M Kelly |
| <ul style="list-style-type: none"> • Audit Plan – table Action: Request that explanatory text be provided in future to explain the numbers shown for each quarter due to the concern that it appeared there was only a small number of reviews for quarter 4. | M Kelly |

<p>In respect of the layout of the Audit Plan, officers were congratulated on the much clearer, larger text format provided in the latest report. However in respect to the cancelled reviews listed on page 179, no explanation had been provided, with the request that future reports include notes of explanation. Action</p>	M Kelly
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An oral explanation was provided against each heading as set out below:

LGSS Law – This had been covered by a wider review as had the 15/16 - Compliance - High Value Contract

Adult Safeguarding – as agreed – this was now deferred to April

Business Continuity Plans and Civil Contingencies Act - Emergency Planning – these were followed up as part of previous Emergency Planning Review. It was confirmed Business Continuity Plans had only been cancelled for the current financial year and would be further

reviewed.

Inter-Agency Information Sharing – this was considered to be better undertaken with a larger cohort of families alongside the ‘Troubled Families’ Grant work. In the current financial year only 2 families were submitted through the Troubled Families Payment By Results mechanism

Healthy Child Programme – This sat with Public Health undertaken jointly with Peterborough - the audit had been cancelled as the transfer had taken place and there were no concerns.

Reablement Transfer – this had taken place and there were no issues on what had been the main area of concern - the transfer of budgets.

Value for Money (VFM) - Year End Transactions – This was considered now to be a more appropriately undertaken in the new year to be undertaken at year end.

Extra Care Housing – this risk area was covered in the review of the Fairer Contributions Policy

Highway Services Contract - in respect of this cancelled review one Member sought assurance that the change in provider would not reduce the quality of work or value for money provided. In respect of this contract, assurance was provided that a project board had been set up to ensure appropriate challenge in respect of providing value for money. The intention was that a new contract was signed in 2016-17 following a 9 month competitive process which had started the previous week. The Head of Internal Audit had been involved in the competitive process in order to provide assurance over the process.

In summing up the report, the Chairman asked the Committee to start considering what Internal Audit should be undertaking in future. Issues he asked officers to highlight in the March Report for further members consideration were in relation to whether more days should be allocated to value for money initiatives at the expense of anti-fraud work, due to the relatively low monetary returns from the latter investigative work.

Having commented on the report It was resolved:

- a) to note the progress being made against the approved Internal Audit Plan.
- b) Approve the in-year changes to the Audit Plan as set out in Appendix A.
- c) to note the material findings and themes identified by Internal Audit reviews completed in the period.

186. CAMBRIDGE LIBRARY ENTERPRISE CENTRE REVIEW – UPDATE ON ACTION PLAN PROGRESS TO DATE

This report provided an update on the progress implementing the recommendations set out in the Cambridge Library Enterprise Centre Review Action Plan. It was highlighted that a lot of the actions had a target date of February and would therefore be further reported to the March meeting.

Comments made by Members included:

- **Request that the Commercial Proposals Protocol should include a date / stepping stones.** In reply it was indicated that this date would be for the end of the financial year. **M Kelly**
- In relation to the discussion on confidentiality agreements, a Member asked whether this should involve Cambridge City Councillors. In response it was explained that as it was a County Council policy it was generally not appropriate, but would apply to external partners to sign up to if they were party to a particular process. The Chairman's view was that confidentiality agreements should be in layers, before eventually becoming public documents. **Action: It was agreed to recommend that Quentin Baker Director of Law, Procurement and Governance was the appropriate officer to prepare the relevant report.** **M Kelly**
- 4. Options Appraisal Market Research and Procurement – A question was raised regarding whether the text in 4.1 referred to quotes and options for best value. In response it was explained that this before quotes and was looking at the market conditions.
- 5.3 referring to projects of a commercial nature being included as standing item on Spokes where they had not yet progressed to the point of requiring a decision paper to the relevant committee – the Chairman asked how the Members would be able to access the information. It was explained as Spokes met on a regular basis they would be provided with the relevant details.
- 5.7 - making reference to the issue of a proposal having been received positively at a Spokes meeting and following a Spokes reporting back to their group it becoming apparent that other members of a Group did not support it, Democratic Services had indicated that the responsibility for reporting back to officers so that they had advance notice before the meeting, was the responsibility of the Spokes. **In terms of making this known to all Council Spokes, It was agreed this should be the responsibility of Councillor Shellens, as the Chairman of the Committee.**
- On section 6 titled 'Public Consultation' one Member highlighted her belief that Members' decisions should be in line with the views expressed by residents responding to a consultation exercise. The Chairman pointed out that the results of a consultation exercise

were there to help inform the Members, but that the final decision was for Members taking account of all relevant facts.

Having provided comments it was resolved:

to note the progress being made against the Cambridge Library Enterprise Centre Review Action Plan.

187. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 30th NOVEMBER 2015

The Committee received the above report presenting the financial and performance information to assess the progress in delivering the Council's Business Plan which was due to be considered by General Purposes Committee on 2nd February.

Key points identified were that:

- The overall revenue budget position was showing a forecast year end underspend of £3.6m (-1.0%), which was an increase of £1.8m from that reported last month.
- Key Performance Indicators; the corporate performance indicator set had been refreshed for 2015/16. Some of the measures within this new set were still being developed and should be available in the coming months. There were 20 indicators in the Council's new basket, with data currently being available for 18 of these. Of these 18 indicators, 7 were on target.
- The Capital Programme was showing a forecast year end underspend of £46.3m (-22.2%), which was an increase of £5.0m since last month. The majority of the increase was due to further slippage within CFA's and ETE's capital programmes.
- Balance Sheet Health; The original forecast net borrowing position for 31st March 2016, as set out in the Treasury Management Strategy Statement (TMSS) was £453m. This projection had now fallen to £414m, down by £11m from last month.

issues raised by Members included:

- a) Asking what would happen to underspends at year end. In response it was explained that Corporate Services, LGSS and Finance would go back to the General Reserve while ETE, CFA and Public Health would be placed in their financial reserves and would by July need agreement on how to utilise them as otherwise Finance would take them back,
- b) With reference to the Capital Programme asking if slippage was necessarily a bad thing. In reply it was explained Capital Programme slippage enabled the financing of expenditure from reserves, meaning a saving to the Council as there was no need to borrow from the financial markets. The negative side was that

infrastructure was not being put in place as originally timetabled.

- c) Page 206 - **There was a request for a fuller response regarding where the penalties charged to Balfour Beatty went. Action** **C
Malyon /
ETE**
- d) Page 209 - **the Chairman asked if the information for the corporate priority on ‘Out of work benefits claimants – narrowing the gap between the most deprived ...’ in both the actual and target columns could be revisited so that the explanation was clearer. Action** **C
Malyon**
- e) It was confirmed in reply to a question that the actual Delayed Transfer of Care figure of 504 was the monthly figure. In discussion this would need to be kept an eye on, as clearly it was falling behind the target which was a result of there not being enough capacity in the system to take people into care.
- f) Noting on Page 211 In respect of the indicator showing red for the ‘number of looked after children per 10,000 children’ the strategy in terms of making the appropriate savings was currently going the wrong way.
- g) Page 214 last bullet reading “unforeseen ground conditions have also impacted on costs” the Chairman suggested that these should have been identified earlier.

It was resolved:

To note the report.

The outstanding reports were now taken in the order included on the agenda.

188. INTERIM REPORT ON WORKFORCE STRATEGY

This report provided an update on the progress on the plan to develop a Workforce Strategy including listing the key projects undertaken to help support its development. It was explained that Strategic Management Team would be reviewing the strategic direction of the Council over the coming weeks and once it was completed, work would re-commence on shaping the Workforce Strategy. The report proposed that a further update should be provided to the June meeting.

As Martin Cox the LGSS Head of People had been unavailable to take up the request to attend and answer questions, and as there had been a number of progress reports to previous meetings which showed little progress,

It was resolved:

That there should be a further update to the March rather than the June meeting with the expectation that Martin Cox should attend to answer questions.

**RVS to
invite
MC**

189. REPORT TO THE CAMBRIDGESHIRE COUNTY COUNCIL AUDIT AND ACCOUNTS COMMITTEE CONCERNING ASSETS UNDER CONSTRUCTION (AUC)

This report was in response to the request from the Committee for an explanatory report setting out both why the Auditors had been unable to sign off the Accounts for the September meeting and why the accounting anomalies had not been picked in earlier external audits.

The report explained that the total impact of the correcting entries was to reduce AUC in property, plant and equipment ("PPE") by £154.3m with the corresponding entries going to unusable reserves. The report made clear that no evidence had been identified to suggest there was any physical loss or failure to safeguard the Council's assets and the correcting entries did not affect the usable reserves figures disclosed in the prior years' financial statements. Consequently, the Auditors did not believe the issue had impacted upon the level of reserves used to inform decisions on levels of Council Tax.

The report explained that their records dating back to 2007/08 and from 2008/09 onwards had identified PPE as a significant risk in their audit. The precise focus on this risk in any particular year had been dependent on the circumstances of that year, including the results of the prior year audit and whether any significant new projects had been implemented. The report detailed the work they had undertaken regarding testing PPE stating that between 2007/08 and 2013/14 they had identified and reported to the Audit and Accounts Committee and management a number of correcting entries required to PPE identified as a result of their audits, as well as making recommendations to improve the controls and processes for recording and reporting PPE, including the need to enhance the approach to accounting for fixed assets.

The report concluded that PwC believed that the correcting entries to AUC recorded in the current year were appropriate and that having discussed with management the controls and processes required to mitigate against this, going forward, they had made recommendations which had been accepted by the Council as set out in the report.

The report was noted.

190. ISA 260 REPORT FOR THE YEAR ENDED 31ST MARCH 2015

This report was an update to the report issued to the Committee in December, with the following changes made, as a result of both the Committee and Management requesting the alterations:

- Page 21 - Figure under the Unquoted Investments heading has been altered to show that unquoted investments of £324m represent 15% of the total fund.
- Page 25 - Note added to the table on page 25 to recognise that management now believe the figure for "Cumulative Intended

Savings" to be £410m, not £385m.

The External Auditors' cover report indicated that there was nothing to highlight to Committee that had not been previously communicated, confirming that the report was for noting and that there were no actions for the Committee to have to undertake.

The Chairman highlighted that he had identified one further error on page 61 (PwC page 15) in the figures in the first column of the table which did not add up to the total shown. He believed the final figure should be (£160,721,000) and not (£160,61,000) as currently shown. As this was a significant error (£90k) he believed it was necessary for PwC to provide new copies of both this report and the next report which carried the same error, so that for posterity and to avoid confusion, the final version on the website was correct. This was supported by the Committee. **Action: PwC to provide Democratic Services with updated electronic copies to be included as appendices to the minutes.** *Post meeting note: attached as Appendix 1 to these minutes with amended table on page 15.*

It was reported that the new external auditors would also be going over all the previous Auditors assumptions, which was standard procedure when new external auditors were contracted.

The Chairman highlighted comments from the External Auditor around savings plans which suggested that reserves could cover issues until 2018/19. On this point the Chief Finance Officer stressed that it was not the case that the Council had £84 million in usable reserves referred to on page 27, as the vast majority of this was already allocated, especially in respect of the Private Finance Initiative (PFI) obligations over the next 20-30 years.

Another issue discussed was the criticism from the auditors around Finance staff not being available when the Auditors required certain clarifications. It was explained that this had happened at the summer peak holiday time when there was very limited staff availability and also reflected the reduction in the number of posts dealing with the accounts.

The update position was noted.

191. ANNUAL AUDIT LETTER 2014-15

The Committee received the External Auditor's PwC's final Annual Audit Letter to the Committee to note, with there being no actions for the Committee to take. It set out a summary of key points from their ISA260 and was the final piece of reporting for the year. The report had been discussed and agreed with management, and the content was consistent with the previous ISA 260 report.

PwC also confirmed that there was nothing to highlight to Committee that had not been previously communicated, with the exception of values for the scope changes in the fee section that had been agreed with management. In relation to these and referring to the fees figure on page 134 (PwC 22) the Chief Finance Officer indicated that the additional fee

for the AUC work had been negotiated down from £70k to £35k to reflect that while the original error was the Council's in 2006/07, this should still have been picked up by PWC in one of the subsequent audits and therefore it was appropriate to share the additional auditor costs identified.

The report was noted.

Post meeting note: Revised report with corrected table on page 5 attached as Appendix 2 to these minutes.

192. DRAFT AGENDA PLAN

There was a request at an earlier meeting for an update on Section 106 monies being used within its time limit. An oral update was provided on the initial findings by the Head of Internal Audit, with the intention of reporting back to the March meeting as part of the Internal Audit Report.

N Hunter

Action

193. DATE OF NEXT MEETING 2.00 p.m. TUESDAY 15th MARCH 2016

Chairman
15th March 2016