

**DRAFT - AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT 2017 - 18**

To: **Audit and Accounts Committee**

**Full Council**

Date: **20<sup>th</sup> September**

**16<sup>th</sup> October**

From: **Cllr Mike Shellens, Chairman of the Audit & Accounts Committee**

Purpose: **To present the Audit & Accounts Committee Annual Report 2017/18.  
The Audit and Accounts Committee issues an annual report to  
Council, detailing their activities during the year.**

Recommendation: **Audit and Accounts Committee are requested to review and  
comment on the report before it is submitted to Council.**

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# **Audit and Accounts Committee**

## **Annual Report**

### **1. Introduction**

- 1.1 The Audit and Accounts Committee exists to provide independent assurance on the adequacy of the Council's risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit and Accounts Committees within Local Authorities are necessary to satisfy the wider statutory requirements for sound financial management.
- 1.2 The Audit and Accounts Committee plays a vital role in ensuring that the residents of Cambridgeshire County Council are getting good-quality services and value for money, i.e. economy, efficiency and effectiveness.
- 1.3 The Audit and Accounts Committee has seven members and met six times in 2017/18. All meetings have been held in public.
- 1.4 The Committee has been structured around the following responsibilities:
  - Considering and approving the Annual Statement of Accounts;
  - Ensuring that the financial management of the Council is adequate and effective;
  - Ensuring that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk;
  - Reviewing annually the Council's system of internal control and agreeing an Annual Governance Statement;
  - Ensuring that the Council has an adequate and effective Internal Audit function.
- 1.5 In its role of overseeing the work of Internal Audit the Committee was advised that in 2017/18, Internal Audit carried out 55 audit reviews including reviews of policies and compliance, embedded assurance work, risk-based reviews and contracts reviews. Internal Audit also completed 54 investigations and 9 grant certifications, as well as providing advice and guidance on a wide range of topics including input to reviews of a wide range of IT security policies, support to the People & Communities Quality Governance and Practice Development team on the development of new thematic audit methodologies, and advice on new processes for the purchase of equipment by social funds in day centres.

- 1.6 Throughout the course of the year, 87 actions which were considered to be 'significant' or 'fundamental' were implemented by management. 1 'fundamental' and 22 'significant' actions were still outstanding at the end of the year. Of the outstanding actions, the delay in implementation of ERP Gold had created delays in implementing nine audit actions which were reliant on the new system.

## **2. Proactive Work of the Committee**

- 2.0 The following section provides a summary of the proactive work undertaken by the Committee over the last year. This aspect of the Committee's work is vital, and has assisted in improving the effectiveness of the Council's overall corporate governance arrangements.

### **2.1 Safe Recruitment in Schools**

- 2.1.1 Safe recruitment in schools has continued to be a focus for the Committee in 2017/18, and the Committee regularly receives updates on the Council's work in this area. Schools The Education Directorate carries out regular safeguarding reviews in schools, which focus on safer recruitment, and Safeguarding and Safer Recruitment reports were provided to the Committee by the Council's Schools Intervention Service in July 2017, November 2017 and March 2018. These reports have shown an improvement over time in the findings of the reviews undertaken by the service's Education Advisers, and in the uptake of training provided by the service.
- 2.1.2 Assurance over safe recruitment practices was also provided by the Internal Audit team, which carried out a review of Payroll and Safe Recruitment in schools. This review included detailed compliance testing on safe recruitment at a sample of five schools, as well as reviewing the work of the Schools Intervention Service. Overall this resulted in a 'good' assurance opinion. Four out of the five schools tested also received a 'good' assurance opinion over their safe recruitment processes, with the remaining school being awarded 'satisfactory' assurance due to a single issue identified whereby a pre-existing DBS certificate was accepted from a candidate who was not registered on the DBS update service. Again, this represents an improvement from previous years findings.
- 2.1.3 The Committee will continue to monitor safe recruitment going forward. The reviews conducted by the Schools Intervention Service are likely to become

charged-for in the next academic year, as safeguarding is the responsibility of each school's governing body. Reviews would not be charged-for if undertaken due to concerns about the school, and a new RAG-rating system is being introduced to risk-assess schools for targeted safeguarding training and reviews. The Committee is expecting to receive further updates on these plans as they progress.

## **2.2 Risk Management and the Risk Register**

- 2.2.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved. The role of this Committee is to provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment.
- 2.2.2 During 2017/18, the Corporate Risk Register reports were incorporated into the Integrated Finance and Performance reports which are received by the Committee on a quarterly basis. This report now links finance, performance and risk information in one place, reducing the bureaucracy associated with taking separate reports through a range of management and Member meetings.
- 2.2.3 In 2017/18, the Internal Audit team co-ordinated an external Risk Management Health Check review by the Council's insurers, Zurich. An action plan was subsequently developed to respond to the findings, and the major development for 2018/19 will be to implement the recommendations.

## **2.3 Corporate Governance**

- 2.3.1 The Council's Annual Governance statement is compiled on the basis of the findings of Internal Audit reviews throughout the year, assurance statements from executive and corporate directors, and input from senior management and members of the Committee. The 2017/18 Annual Governance Statement was reviewed by the Committee in May 2018, prior to final sign-off and inclusion in the Council's annual Statement of Accounts.

## **2.4 Council Finance and Statement of Accounts**

- 2.4.1 Throughout 2017/18, the Committee has maintained its oversight of Council finances, reviewing the quarterly Integrated Resources and Performance Reports to assess progress in delivering the Council's Business Plan and review the status of the Council's Key Performance Indicators. The Committee

regularly inquires and follows-up on areas which have overspends or other issues.

- 2.4.2 The Committee reviewed and considered the final ISA 260 reports from External Audit, on the completion of their review of the County Council and Cambridgeshire Pension Fund Accounts for 2016/17. This audit resulted in an unmodified true and fair opinion on the Council and Pension Fund financial statements, issued on 12<sup>th</sup> October 2017. External Audit also issued an unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2.4.3 The Committee also considered and approved the annual Statement of Accounts. This is an iterative process, and the 2017/18 accounts were subject to changes to the statutory deadlines for production and publication of the Statement Accounts introduced by the Audit & Accounts Regulations 2015. This required draft accounts to be published by 31<sup>st</sup> May (previously 30<sup>th</sup> June) and final audited accounts by 31<sup>st</sup> July (previously 30<sup>th</sup> September).
- 2.4.4 The Committee received reports on planning for the new closedown process in November 2017 and January 2018, detailing the revised timetable and audit procedures to be followed to enable the new statutory deadlines to be met. The deadline for draft accounts publication was met, with the draft accounts reviewed by the Committee on the 12<sup>th</sup> June, and the Statement of Accounts and External Audit completion report reviewed on the 30<sup>th</sup> July 2018, in time for the final statutory deadline.
- 2.4.5 An objection regarding the lawfulness of certain transactions included in the financial statements, and decisions made by the Council, was made in respect of the 2016/17 financial statements, and a subsequent objection was also raised to the 2017/18 financial statements. These objections remain under consideration by the County Council's External Auditors.

## **2.5 Community Transport Investigation**

- 2.5.1 Throughout 2017/18, the Committee monitored the progress of the external investigation into concerns raised regarding several of the Council's Community Transport providers. The final report of the investigation was provided to the Audit & Accounts Committee meeting on the 31<sup>st</sup> July 2018, and the outcomes from this will continue to be a focus for the Committee in 2018/19.

## **2.6 Whistleblowing Policy**

- 2.6.1 In 2017/18 a new Whistleblowing Policy was drafted by Internal Audit and reviewed by the Audit & Accounts Committee prior to final approval by the Constitution and Ethics Committee. Pro-active work to promote the new policy was undertaken by Internal Audit, including a poster campaign to raise awareness, distribution of leaflets in public areas, and publicity on the Council's intranet and internal newsletters.
- 2.6.2 The annual report on whistleblowing for 2017/18 was brought to the Committee by Internal Audit in May 2018, reporting on the implementation of the new policy, whistleblowing concerns raised, and the results of a staff survey. As a result further updates to the policy and further pro-active work to raise awareness is planned for 2018/19.

## **2.7 Children's Social Care**

- 2.7.1 In 2017/18, the Committee has received regular updates on case load data within Children's Social Care. Having previously raised concerns regarding high caseloads in this area, regular reporting was introduced to enable the Committee to monitor the potential risk involved. In particular this has followed the outcomes from the Children's Change Programme.
- 2.7.2 The Committee also received a presentation on demand and demography planning in budgeting for Looked After Children, in March 2018.

## **3. The Committee's relationship with Internal Audit**

- 3.1.1 A key part of the Committee's role is to both challenge and support the Internal Audit service. The Committee has supported a flexible approach from the Internal Audit team which ensures that planned coverage is continually assessed to direct audit resource towards areas of emerging risk, rather than a static plan agreed some months before. The Committee has taken a proactive role in this approach, both by suggesting pieces of work for Internal Audit, contributing ideas towards the detailed brief, and requesting updates from Internal Audit and Council services on implementation of actions.

## **4. Terms of Reference for the Committee**

- 4.1 Having been fully reviewed and revised in 2016/17, the Terms of Reference for the Audit & Accounts Committee were reviewed by the Committee in May 2018, and retained with no changes.

## **5. Future Focus for the Committee**

As set out above, the Committee will continue to follow up on progress in key focus areas from previous years, including safer recruitment in schools and monitoring the implementation of the Council's whistleblowing policy.

A particular focus for 2018/19 will be the outcomes of the external investigation into Community Transport, and the Committee will play a key role in monitoring the implementation of key actions that were agreed as part of the Council's response to the investigator's findings.

More broadly, the Council faces significant challenges and changes to the environment within which it operates. In March 2017, the Cambridgeshire and Peterborough Combined Authority was formed, and recent years have brought closer partnership working with colleagues at Peterborough City Council. The Council continues to seek to deliver savings and investment through its Transformation Programme, to meet the ongoing challenge of reduced budgets coupled with significant growth.

This Committee carries out its responsibilities by directing and monitoring the efforts of Internal Audit. In future, given the financial situation, there will be ever-increasing emphasis on enabling the Council to provide a higher level of service to our customers within a defined budget. In line with the approach being taken by Council services more generally, the Committee's role is increasingly shifting towards a focus on outcomes. Close partnership working with other local authorities will also require a reassessment of how assurance can be obtained on behalf of the audit committees at each authority.