

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: Thursday, 20th September 2018

Time: 2.00pm – 5.05pm

Place: Kreis Viersen Room, Shire Hall, Cambridge

Present: Councillors: P Hudson, M McGuire, M Shellens, (Chairman), T Rogers (Vice Chairman) and D Wells

Apologies: Councillors Kavanagh and Williams

115. DECLARATIONS OF INTEREST

Councillor McGuire notified the Committee that he would leave the meeting prior to the start of the item regarding Community Transport and would not take part in a Working Group, should one be created.

116. PETITIONS AND PUBLIC QUESTIONS

No petitions or public questions had been received.

117. MINUTES AND ACTION LOG

The minutes of the meetings held on 30th and 31st July 2018 were agreed as a correct record and signed by the Chairman.

Members noted the Action Log and the update provided regarding the following items:

- Minute 92 – Energy usage by streetlights above target had been updated to account for part-night lighting and lighting funded by District and Parish Councils. The Chairman commented that the target required review and requested a report be presented in November that explained the recent trends in usage for street-lighting. **ACTION**
- Minute 108 – Debts had not been matched with income partly due to the migration to ERP Gold. A more rigorous suspense account had been established to improve management. The projection for year-end was unlikely to be zero but would be below the materiality threshold of the external auditor. The need for purchase orders prior to expenditure commitment was to be emphasised to users.
- Minute 108 – noted that the second cycle of the WGA data collection tool was presently being audited.

118. CHILDREN'S SOCIAL CARE CASELOADS QUARTERLY UPDATE

The Committee received a report that set out Children's Social Care caseloads. The presenting officer informed the Committee that caseloads had stabilised and drew attention to successful recruitment campaigns that had been undertaken to support the launch of the new social work model.

During the course of discussion Members:

- Sought greater clarity regarding paragraph 2.3 of the report. Officers explained that the Integrated Front Door which continued to have vacancies would be re-modelled where social workers were not required and alternatively qualified staff were offered roles, which had greatly improved the situation.
- Confirmed the cost of an agency social work was almost double that of a directly employed social worker.
- Noted that there were currently 18 agency social workers employed and they were gradually being released as the new social work model was rolled out.
- Noted that while it was not possible to provide forecast savings that would result from the new social work model in relation to agency staff not being employed, officers informed Members that the budget for agency staff was £240k and it was anticipated that it would not be used in the new-year. Officers agreed to provide further information.
ACTION.
- Confirmed that the recruitment stall at the national Community Care Live Conference was taking place in the last week of September and noted the optimism of officers regarding the recruitment opportunities it would provide.

It was resolved to:

- a) Note and comment on the report
- b) Note the continued monitoring of caseloads for the Children's Social Work Units by Children and Families Leadership Team.

119. DRAFT AUDIT AND ACCOUNTS ANNUAL REPORT 2017-18

Members were presented with the draft annual report of the Audit and Accounts Committee that would be presented to Full Council.

In discussing the draft annual report Members confirmed that contact had not yet been made with Ernst and Young, external auditors, but would take place before the next meeting of the Committee.
It was resolved:

To review and comment on the report before it is submitted to Council

120. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit progress report was received by the Committee. It provided detail of the main areas of audit coverage for the period 1st June 2018 to 31st August 2018 and the key control issues that arose.

During discussion of the report Members:

- Expressed surprise that Community Transport had not featured in paragraph 1.2 of the report.
- Noted that whistleblowing would become the sole remit of the Audit and Accounts Committee.
- Noted that with regard to the Highways Contract Review, issues had been experienced regarding software that had not been implemented by the contractor that was the basis for the contract governance.
- (I nearly understand this. PI ring – 01480 456 555)
- Expressed concern that the majority of the major problems faced by the Committee was due to the failure of the Council to manage contracts effectively and highlighted a lack of contract managers within the organisation as a possible cause. Members noted that the Public Health directorate requested an audit of a poor performing Public Health contract which was an example of where concerns were being addressed before they became much larger issues.
- Commented that it was disappointing that the reporting mechanism had not been established prior to entering into the contract and it was essential that the contract was correct in the first place.
- Noted that there was increased attention on monitoring contracts and their output that would be presented to a future meeting of the Committee. Members noted the limited resources through which contracts could be monitored and looked forward to receiving a further report and would consider whether a Committee review of contract management would be undertaken. **ACTION**
- Drew attention to the Deprivation of Liberty Standards (DOLS) assessments and expressed concern regarding the average assessment waiting times. Officers explained the context of DOLS and

how the change of legislation had made the process challenging for Local Authorities to manage. Officers provided assurance that waiting lists were managed continuously and cases prioritised appropriately. Members requested that a further report regarding DOLS assessments be programmed regarding the implementation of recommendations made by the audit. **ACTION**

It was resolved to:

Consider the contents of the report.

121. ERP GOLD IMPLEMENTATION REPORT

Members received a report that provided an update regarding the implementation of the Enterprise Resource Planning (ERP) Gold system. The presenting officer informed Members that the project was large and difficult to implement. It had also been adversely affected by Milton Keynes Council joining LGSS part way through the project.

The live application had encountered certain issues at launch. There was a backlog of invoice processing within the Accounts Payable team and it had taken time to reduce. Members were informed that the backlog in May 2018 stood at 9,000 invoices and this had reduced to 3,600. Members noted that some invoices were being held because they were in dispute.

The system, the presenting officer advised, ran slow at certain times of day due to issues with the database and work was ongoing with the supplier to identify the cause and resolve it. LGSS was in contact with other Councils that had implemented the Unit 4 Businessworld System to understand whether they too had encountered similar issues.

Cambridgeshire County Council had also experienced additional challenges regarding remote access to the system which was an access issue rather than the system itself and IT were working to resolve the issue.

During discussion Members:

- Welcomed the progress that had been made regarding the processing of the backlog invoices and noted that some dated back to 2016/17 and were being reviewed.
- Noted that of the 3,600 invoices that were still to be processed, approximately 1,000 related to Cambridgeshire County Council, of which approximately 100 were on hold and being reviewed.

- Noted that the Accounts Payable team was now more established and the Tradeshift system that provided some atomisation was now running however, a greater number of suppliers needed to use it. A review of the system would be undertaken and suppliers encouraged to register.
- Questioned whether there would be an impact upon the year end accounts. Officers explained that there would be no impact as the purchase order was the commitment to pay the invoice.
- Expressed concern regarding the numbers of invoices that had no purchase order associated with them. There was further internal communications work planned to ensure purchase orders were properly used.
- Noted the issues relating to remote access, unique to Cambridgeshire County Council and expressed concern that additional funding had been provided to the project by the three partner Council's and issues persisted, questioning the quality of the testing undertaken.
- Drew attention to the table contained at paragraph 5.1 of the report and requested that it be presented to a future meeting of the Committee. Officers confirmed that the results should be ready by the end of September, ready for the next Committee cycle. **ACTION**
- Confirmed that there were no additional costs being charged for by Unit 4 and that the ongoing work was being funded through the support contract, including the remote access issue that was related to a software issue.
- Noted that with regard to staff training, classroom based learning would have been preferable however the limited resources available did not allow for that.
- Drew attention to an issue relating to timesheets and flexible working hours that could not be entered on to the system. Officers undertook to investigate further. **ACTION**
- Noted that the sickness reporting module was close to being launched.

It was resolved to:

Note the progress on ERP Gold Assurance.

122. REVIEW OF THE 2017/18 STATEMENT OF ACCOUNTS PROCESS

The Committee received the review of the 2017/18 Statement of Accounts process. Officers had completed a review of the closedown process for 17/18 and identified a number of areas that had arisen as a result of the external audit report and the implementation of ERP Gold. Members noted there had been many process changes as a result of the migration to the new system.

An action plan had been developed and officers advised that an update would be presented at the November meeting of the Committee and each following meeting. **ACTION**

It was anticipated that a proportion of the work required for the Statement of Accounts could be brought forward to month 9 or 10, rather than being completed at year end.

Members noted that the external auditor would be completing checks using specialist software that would ensure double entry on the accounts was correct and complete high level checks that would assist the audit process.

During the course of discussion Members:

- Confirmed that the timetable for the 2018/19 Statement of Accounts was resourced appropriately.
- Noted the comments of the outgoing external auditor regarding the efficiencies that ERP Gold would afford in producing the accounts.
- Noted that much of the preparation work within ERP Gold for the production of the accounts had been completed and officers were now refining elements of the closedown template.
- Noted that a handover would take place between the incoming and outgoing external auditor, and the external auditor agreed to notify Members when the handover would take place. Members noted that BDO would retain responsibility for the 2016/17 and 2017/18 accounts.
- Noted that with regard to paragraph 2.4.6 of the officer report, vehicles, plant and equipment were not capitalised and were charged as an in year expense unless there was a PFI agreement in place.
- Expressed concern regarding ERP Gold and whether the necessary functionality to produce the accounts would be available in time. Officers commented that the majority of the necessary functions would be available and they anticipated that improvements would be made year on year which was true of any system.
- Noted that the capital register could be inputted in advance.
- Noted that ERP Gold had been in use since April and the system was an improvement over the old one. There had also been a period of testing prior to launch.
- Questioned how dependent officers were on having a fully functioning ERP system to produce the Statement of Accounts. Officers advised that it would be challenging if the system was not fully functioning but

would still be possible as long as the data was accessible. Members noted that it was true of any system old or new.

It was resolved to:

Note and comment on the contents of the report.

123. LEVEL OF OUTSTANDING DEBT

The Committee was presented with a report that detailed the level of outstanding debt. Members noted that Councils across the country were struggling with collecting debt, especially debt that related to adult social care. Councils across the country are struggling with debt especially for ASC.

Members were informed that some managers did not have the skills to run debt reports and this was being addressed through training. The ERP Gold system brought greater automation and improved reporting that was constantly evolving. The Chairman and Vice-Chairman requested such reports be sent to them. **ACTION**

Members noted that the Collections Strategy had been updated in accordance with the launch of ERP Gold.

During discussion of the report Members:

- Considered that the targets set out at paragraph 3.1 of the report were not challenging enough.
- Requested that the Chartered Institute of Public Finance and Accountancy (CIPFA) report be circulated to Members when received. **ACTION**
- Clarified that an invoiced amount became a debt on the 31st day following the issuing of the invoice.
- Confirmed that there was one temporary member of staff and two vacancies currently within a team of nine.
- Noted that regarding disputed invoices, report were run regularly and services chased in order to ensure action was being taken.
- Noted that organisations such as the NHS had different payment terms that could present issues regarding debt figures. Any invoices that were disputed by care providers or the NHS were forwarded to locality teams within adult social care for resolution.
- Clarified with officers that the interest that would be accrued annually on £18m would be approximately £200k.

- Requested that information relating to the initial total debt, the current debt position, how much had been written off and how much was secured or part of a payment plan, that demonstrates the relationship to the Council's revenue budget be forwarded to the Committee.

ACTION

- Noted that in relation to the levels of long-term outstanding debt it was anticipated that levels would reduce and the position improve in coming months.
- Noted that it was anticipated that analysis of the causes of debt would be able to be undertaken in the future. The analysis would be able to provide greater clarity regarding those that were unable to pay invoices and those that would not pay.

The Chairman with the unanimous agreement of the Committee proposed to amend recommendation d) of the report in order that a further update would be provided in January 2019.

It was resolved to:

- Note the actions being taken to manage income collection and debt recovery
- That the 2018/19 debt reduction targets agreed last year were now applied in their entirety to debt aged over 90 days old at 31 March 2018 as follows:

	Adult Social Care	All other Sundry Debt
91+ day debt as at 31/03/18	£3,655k	£2,007
Reduction %	8%	15%
Reduction value	£286k	£298k
91+ day debt Target 31/03/19	£3,369k	£1,709k

- To note the revised collections strategy
- Agree that a further update will be provided in January 2019

124. INTEGRATED RESOURCES AND PERFORMANCE REPORT TO END OF JULY 2018

Members received a report that presented financial and business information to assess progress in delivering the Council's Business Plan.

During the course of discussion Members:

- Requested that additional narrative be included in the data presented in the outcomes indicators contained in the report.
- Expressed and emphasised concern regarding the financial position of the Council.
- Noted that significant additional investment was being made in children's services that reflected the increased demographic pressures and the higher cost placements that have to be used because lower cost placements were full. .
- Noted that the Council planned sustainable investment in preventative services
- Questioned why there had been a significant increase in the number of recorded children in need. Officers agreed to provide further commentary and circulate to Members. **ACTION**
- Noted that the costs associated to asylum seekers was largely offset by government funding but a deficit remained.
- Welcomed the results of the smoking cessation programme in the Fenland area through which 660 people had stopped smoking from the previous year.
- Requested further information regarding the Huntingdon link road.
ACTION

It was resolved to note the following recommendations to General Purposes Committee on 20th September 2018:

- a) Note the additional section 106 funding received as set out in section 6.8 of the officer report;
- b) Approve the allocation of the increased £112.7k Extended Rights to Free School Travel Grant to People and Communities so that it can be used for its intended purpose, as set out in section 7.2 of the officer report;
- c) Note the open purchase order reconciliation issue and the accounting entries required to correct the treatment, as previously recommended in the June 18 report, as set out in Appendix 3 of the officer report;

- d) Approve the -£18.8m revised phasing of funding relating to changes in the capital programme variations budget, as previously recommended in the June 18 report, as set out in Appendix 3 of the officer report;
- e) Approve the -£7.2m re-phasing of P&C's capital funding for the St. Neots Wintringham Park scheme, as previously recommended in the June 18 report, as set out in Appendix 3 of the officer report

125. MEMBER WORKING GROUP - COMMUNITY TRANSPORT

The Committee received a report from the Chief Internal Auditor that sought the establishment of a Member Working Group to monitor the implementation of the Community Transport Action Plan. Councillor McGuire withdrew from the meeting at this point.

The Chairman updated the Committee with regard to the progress that had been made since the meeting held on 31st July 2018. Members noted that the Chief Executive had resigned from her position at Fenland and Huntingdon Associations for Community Transport (HACT and FACT). The Council had issued contracts to FACT and HACT which had resulted in formal objection being received. Councillor McGuire had resigned as the Council's appointed representative on the board of HACT and FACT and Councillor Boden had been appointed.

The Chairman expressed concern regarding the draft grant agreement that had been produced in terms of quality and content. There were numerous errors within the document and repetitions. The document appeared to be a contract rather than a grant agreement.

Members made the following comments during the course of discussion:

- The responsibility to ensure proper licences and permits had been obtained was the responsibility of the organisation being contracted to provide the service and suggested a checklist for the Council to provide assurance.
- Drew a distinction between the requirements for transporting adults and children in terms of safeguarding.
- Suggested that LGSS Law be requested to comment on the draft grant agreement and provide a steer regarding wider liabilities if issues arose.
- Noted that the view of Internal Audit related to the process and governance arrangements regarding the establishment of the agreement and not the overall quality of the document.
- The Chairman advised that he would review the action plan and the minutes of the meeting held on 31st July 2018 with Internal Audit.

It was resolved:

To agree to the creation of a Member Working Group drawing from the Members of the Audit and Accounts Committee and substitutes.

125. FORWARD AGENDA PLAN

The Committee received its forward agenda plan. The Committee noted the following amendments and updates.

- Outstanding level of debt update would be presented in January 2019 rather than March.
- Street lighting usage report to be presented in November 2019

It was resolved to note the forward agenda plan.

Chairman