

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 9th June 2015.

Time: 14.00 -16.31 p.m.

Place: Room 128, Shire Hall, Cambridge

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

Apologies: Councillor R Henson

Action

Paul White Head of Procurement and Neil Hunter LGSS Interim Head of Internal Audit were welcomed to their first Committee meeting.

129. APPOINTMENT OF CHAIRMAN / WOMAN AND VICE CHAIRMAN / WOMAN

It was resolved unanimously:

To appoint Councillor Shellens as the Chairman for the Municipal Year 2015-16.

To appoint Councillor Topping as the Vice Chairman for the Municipal Year 2015/16.

130. DECLARATIONS OF INTEREST - None

131. TERMS OF REFERENCE

The terms of reference were presented for information with the Chairman highlighting a couple of grammatical improvements that could be made.

The terms of reference were noted.

132. MINUTES

The minutes of the meeting held on 17th March 2015 were confirmed as a correct record and signed by the Chairman.

Arising:

a) Minute 117 Risk Management Report and Risk 22 - Cambridgeshire Future Transport Programme

In relation to the text reading that the reconvened Cambridgeshire Future Transport Member Steering Group would report to the Economy and Environment Committee and that this Committee wished to see any final report, The Deputy Leader highlighted that the work of the Steering Group was not to be confused with the work of the Task Group. The former was engaged in looking at alternative transport arrangements for bus routes

where the subsidy had been removed and would be ongoing, with a series of solutions on different routes, and these would not necessarily come back for approval at a Committee.

It was agreed that the appropriate reporting arrangements, including any update on the timescale, would be clarified following the meeting. **Action: Democratic Services to check with Joseph Whelan / Paul Nelson.**

**RVS
contact
JW / PN**

B) Minute 118 3a) Home to School Transport – Linked to the above, the Deputy Leader had previously clarified that the Cambridgeshire Future Transport Member Steering Group had been re-convened through a decision by Full Council at their meeting in December, rather than by General Purposes Committee. However, the latter Committee at their meeting in January had requested that the Steering Group's scope should also include Home to School Transport. *(Note: This Committee had already indicated that they would also wish to receive any final report on recommendations on Home to School Transport, having previously expressed concerns at the scale of the budget overspend)*

An update was requested on the likely timetable for a final report at the next meeting. **Action: Democratic Services to check with Joseph Whelan.**

RVS / JW

133. ACTION LOG FROM MINUTES

The Committee noted the completed actions / updates taken in relation to the Minutes from the last meeting as set out in the report. The following issues were raised:

1) Minute 99 Internal Audit Progress report - October 2014 - Safe Recruitment in Schools

As an oral update to the information already provided, it was reported that all but four schools had now completed their self-assessment forms, resulting in the return rate rising to 98.4% The remaining four had promised to provide their returns by Friday 20th March. The Committee agreed that the threat of sending Internal Audit into the still outstanding schools should be held off until after this deadline. There was concern expressed regarding the lack of an adequate explanation from those schools still outstanding.

It was resolved unanimously:

a) That a further update should be circulated to the Committee after the deadline and an update included in the Minute Action Log for the next meeting in July. **Action: Democratic Services to request information from Service Director: Learning**

**R.Sand-
erson / K
Grim-
wade
(KW)**

b) **A follow up report should be provided in due course in relation to what lessons had been learnt.**

**KW / N
Hunter**

2) 4c) Minute 119 Key Risk 4 – The Council does not achieve best value from its procurement contracts

Following previous concerns that under key controls for this key risk, there was nothing to demonstrate that value for money had been achieved, the Head of Procurement presented a revised indicator with four key controls. He explained what each of them was designed for / how they helped add value.

Details were provided of the number of contracts let and their average duration. The Procurement Team aimed to add value by achieving savings of a ratio of between 4 to 5 times the team's costs. It was highlighted that unlike some other Councils, there had not been a formal challenge of the procurement process and the Head of Procurement confirmed that benchmarking comparisons were carried out where possible with other Local Authorities.

Explanation was also provided in relation to a guidance checklist provided by the Procurement Team intended for use on new contracts valued at over £100,000. **There was a request that this checklist should be circulated to the Committee following the meeting. Action.**

P White

It was clarified that once a contract had been let, the contract management functions were the responsibility of the service owner and not the Procurement Team, as these were a different set of skills. It was also highlighted that monitoring and managing a contract were two distinct functions.

As contract management was identified as the key risk area, the Interim Head of Internal Audit indicated that Internal Audit would carry out some assurance reviews during the year.

N Hunter

3) Minute 124 External Audit Plan – for the Statement of Accounts and Pension Fund Accounts Audits – Approach to Value for Money

This had been incorrectly recorded as an action completed. It was orally reported that the approach to be taken to identifying value for money would be included in the above report coming back from External Audit to the Committee in September.

4) Minute 126 Integrated Resources and Performance Report for period ending 30th January

With reference to the Chief Finance Officer response to the concerns raised at the last meeting querying how General Purposes Committee could effectively monitor the Children, Families and Adults (CFA) Budget (which represented 70% of the overall County Council budget) from the information provided in their summary report, **there was a request that the Committee should receive the most recent copy of the individual detailed Adults and Children and Young People Integrated Resources and Performance Reports. Action.**

RVS to
send to
Cttee

In addition, the Chairman indicated that he was still not being sent the General Purposes Committee overview Integrated Resources and Performance Reports as previously requested.
Action

I Smith /
P
Emmett

134. ANNUAL RISK MANAGEMENT REPORT

This report provided details of the:

- Key Corporate Risks faced by the Council,
- the outcome of the annual review of the Risk Management Policy,
- development of the Council's risk management approach during 2014/15,
- proposed developments in risk management in 2015/16.

The table in paragraph 3.2 provided an analysis of Directorate Residual Risks as at May 2015. **Action: There was a request that the Members of the Committee be provided with a list of the titles of the 62 residual risks by Directorate outside of the meeting.**

Dan
Thorp

Appendix 1 illustrated the profile of Corporate Risk against the Council's risk scoring matrix. There were two red residual risks: Risk 1a) 'Failure to deliver a robust and secure Business Plan over the next 5 years' which had increased to a red residual level due to the current budget situation and 'Residual Risk 9 'Failure to Secure Funding for Infrastructure' which remained unchanged.

It was highlighted that:

- That there was a new risk the Increasing manifestation of Busway defects (Risk 26) as requested by General Purposes Committee in October 2014.
- Risk 25 - 'Failure to effectively implement the Council's new governance arrangements' - had been removed from the Corporate Risk Register following the six month review presented to the Council in March where the changes to the recommendations were agreed.

In answer to a question on the presentation on Appendix 2, it was explained that due to a time lag where the April 15th date had passed and the risk was showing green, it would be removed and would not appear on the next Register. Where a target date had passed, it was reviewed by the Corporate Risk Officer Group and if necessary, a revised date included. Where no target date was showing, this would be taken up with the risk owner to establish what action was being taken.

Issues raised in relation to the Corporate Risk Register included the following (where an action is recorded, officers will report this initially to the Corporate Risk Group for their consideration):

- Page 1 - Risk 1a) 'Failure to deliver a robust and secure Business

Plan over the next five years’ - Action: There was a query of whether the word ‘deliver’ should in fact be changed to say ‘produce’. The officer would take this back and confirm.	D Thorp
<ul style="list-style-type: none"> Page 3 – Risk 14 - <i>Increased demand for services arising from increased financial and social pressure on individuals, families and communities.</i> Action: Confirmation requested that in relation to the action crossed out titled ‘New Child Poverty Strategy to be developed’ that the Strategy had been developed and implemented (and was on the web). It was suggested that including a date in future on the register document would avoid such queries. 	D Thorp
<ul style="list-style-type: none"> Page 4 - Risk Number 15 ‘Failure of the Council’s arrangements for safeguarding vulnerable children and adults’ key control / mitigation 28 – ‘change required by the Care Act 2014 overseen by the Safeguarding Adults Board’ Action: request for a date to be inserted. 	D Thorp
<ul style="list-style-type: none"> Page 5 – Risk Number 16 – ‘Lack of capacity to resource future demand for services in respect of children and adults’ – Action: It was suggested that under Key Control / mitigation – 1. ‘Regular audits of assessment process and the use of trend data to identify children’s needs’ this also needed to reference adults. 	D Thorp
<ul style="list-style-type: none"> Lack of staff training / the use of agency staff was raised as an issue - Action: it was suggested that robust induction knowledge and verification should be added as a key control. 	D Thorp
<ul style="list-style-type: none"> Action: A number of the strategies had March 2016 as the target date. It was recommended that key milestones should be added for the September meeting to be able to check on progress. 	D Thorp
<ul style="list-style-type: none"> Page 6 ‘The Cambridgeshire Future Transport Programme fails to meet its objectives within available budget’ Key control 7 “updates are provided to Members via key issues” Action: required additional wording to state that this was on a monthly basis. 	D Thorp
<ul style="list-style-type: none"> Page 6 – Risk number 22 – ‘The Cambridgeshire Future Transport Programme fails to meet its objectives within available budget’ – Result no 2. As referred to in discussion earlier in the meeting Action: the wording needed to be refreshed as reference was made to a revised programme and to a project being completed by the end of March. Clarification was required on the project being referred to and whether it required to be reported on to any service committee. 	D Thorp
<ul style="list-style-type: none"> Page 6 Major Fraud or Corruption – The Chairman challenged the wording of trigger 2 as he personally did not consider the current economic climate resulted in major fraud / corruption. Action: to consider any response to this comment 	D Thorp
<ul style="list-style-type: none"> Concerns were expressed by a number of Members regarding where target dates had been changed on more than one occasion. 	

Particularly highlighted on page 5 was Risk 21 'Business Disruption' the action titled '4. Plan and Implement Phase 3 of IT Resilience, Programme – duplication of key systems – in progress' where the revised target date had changed five times since October 2013. The Head of Internal Audit highlighted that what was missing from the document was more detail to determine the residual risk of not taking the actions by the target date and whether for IT resilience, the missed target dates were significant. **It was agreed that in relation to risk 21 the risk owner should be asked to prepare a note of explanation regarding the continual slippage of the target date and be invited to attend the next meeting to provide an update on what the IT issues / problems were. Action.**

D. Thorp
(DT) to
contact
Ian
Farrar

- On Risk Number 14 titled 'Increased demand for services arising from increased financial and social pressure on individuals, families and communities' there was discussion regarding the impacts, with officers highlighting that Government lobbying activity was co-ordinated by the Local Government Association. (LGA)
- In answer to a query on whether the recommendation should have also asked the Committee to endorse the Risk Management Policy included as an appendix, this was confirmed. **Action: It was requested that future report recommendation should invite the Committee to comment on the Risk Management Report and Policy, rather than just endorse it.**

Sue
Grace /
DT

It was unanimously resolved:

to endorse the annual Risk Management Report including the Risk Management Policy at appendix 3.

135. ASSURANCE FRAMEWORK UPDATE

This report provided the Committee with the sources of assurance related to key controls for the Council in relation to the 'three lines of Defence Model'. It reflected work undertaken in the last 6 months, changes to the Corporate Risk Register as well as reflecting assurances due from the 2014/15 Internal Audit Plan.

Following a request in advance of the meeting a glossary was tabled at the meeting.

The Chairman was concerned regarding whether all foreseeable risks were currently covered and if risks were being shown at the right level. **Action: There was a request to provide an update report on any areas that the new Head of Internal of Audit identified might be gaps requiring further assurance work.**

N Hunter
(NH)

On the assurance framework documentation the following issues were raised:

AF3 'Workforce recruitment and retention' - It was suggested that monitoring of recruitment advertising should be added as an assurance **Action: Officer to review**

NH

AF5 'Infrastructure Funding Shortage' – Action: It was suggested that this should be re-worded as there was no realistic expectation of receiving sufficient infrastructure Section 106 payments to deliver all infrastructure / services / developments.	NH
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AF 6: 'Increased demand for services arising from financial and social pressures on individual families and communities' - third level of assurance first bullet titled – 'Internal Audit Review – Community Cohesion August 2012 - Limited Assurance' - There was a request for an update on the recommendations made and whether they had all been implemented	NH
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AF8: Lack of capacity to resource future demand for Children and Adults Services – it was suggested that an additional assurance should be 'Sufficient numbers of quality staff '

On the first level of assurance 'Adult safeguarding training available to all who work with adults and older people across Cambridgeshire' There was a query regarding the take up of the training, as this was a more reliable assurance. Action: officer to look into.	NH
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AF13 Information Management – highlighted that there had only been limited assurance on Capita One review - There was a request for an update on the recommendations made and whether they had all been implemented	NH
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AF15 – 'Focussing on the purpose of the authority, the outcomes for the community and creating / implementing a vision for the local area' - There was a discussion on peer challenge. In response, it was indicated that the last corporate peer review had been undertaken in 2013. The Chairman indicated that he was interested in what thematic peer reviews had been carried out in the last two years and what could be looked at going forward. Action: There was a request for officers to produce a list with a brief report to come forward to the September meeting.	Dan Thorp
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AF27 – Obtain assurance on the effectiveness of key controls – on the 'appropriate key controls' column it was suggested by the Chairman that they should include: public opinion, financial compliance and service delivery. Action: Officers to review	NH
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There was a request by the Vice-Chairman that the next report should come back with an assessment indicating of those assurance levels not considered to be strong.

All suggested actions above were unanimously supported by the Committee Members present.

It was unanimously resolved:

to note the current version of the Assurance Framework.

136. DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15

The Council is required to include an Annual Governance Statement (AGS) as part the Annual Statement of Accounts summarising the extent to which the Council was complying with its Code of Corporate Governance and detailed, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead.

This report presented the Annual Governance Statement (AGS) for 2014/15 for the Committee's consideration and comments and to consider whether it reasonably reflected the Council's governance and control prior to sign off by the Chief Executive and the Chairman of the General Purposes Committee.

Issues raised included:

- On page 4 (the first page of the 'Annual Governance Statement' the Chairman drew attention to the second paragraph reading "The Council also has a duty under the Local Government act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy efficiency and effectiveness". He commented that in his time on the Committee, it had not been asked check that this was still happening and raised the issue of whether the External Auditor should be asked to define 'continuous improvement' and indicate what arrangements were made to measure it. In response, it was indicated that the Business Plan and the Strategic Framework for the next five years would be the relevant documents to look at.
- Receiving confirmation to a question raised, that in relation to the second bullet on page 5 and the role of the Committee in relation to financial Procedure rules, the Democratic Services officer clarified that the Committee was empowered to make recommendations to full Council on the wording and content of revisions to both the County Council's Financial and Contract Procedure Rules.
- Prior to the meeting there had been a query on why the Committee was asked to review the Statement and yet the Chairman was not included as one of the final signatories which currently only listed the Leader and the Chief Executive. Democratic Services had checked to with the Chief Financial officer who explained that currently the minimum Society of Local Authority Chief Executive's (SOLACE) / Chartered Institute of Public Finance and Accountancy CIPFA guideline requirements were being followed, but he had no issue with **the Chairman's signature also being added. This change was supported by the Committee.**

NH

It was unanimously resolved:

a) To agree that the AGS was consistent with the Committee's own perspective on internal Control within the Council and the definition of significant governance and control issue given in paragraph 3.3 of the Officer's report.

b) To agree that the Audit and Accounts Chairman should be added to the names required to sign off the final version of the 'Annual Governance Statement' document. **Action**

NH

**137. REVIEW OF LGSS INTERNAL AUDIT (CAMBRIDGESHIRE)
COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT
STANDARD (PSIAS)**

As LGSS internal Audit is required to comply with the Public Sector Internal Audit Standards the Committee received details of an updated self-assessment against the Standards.

Issue raised:

- The reference on page 6 to there being an independent Chairman of the Committee was incorrect as this only applied to Northamptonshire County Council and therefore required changing. **Action**
- Paragraph 1.4 of the report Page 5 – '1000 Purpose, Authority and Responsibility' - reference was made to a review of the Audit Charter in 2015/16 which required a date to be added and Democratic Services informed in order to be able to update the Committee's Forward Plan. **Action**
- Page 8 Quality Assurance – the Chairman requested that the wording should be revised, as the current text underplayed the role of the Committee in identifying priority areas and agreeing and monitoring changes to the Plan. **Action**
- Page 11 - With reference to Customer Feedback Questionnaires issued with each final report, the Chairman had previously asked to see one and the request was still outstanding. **Action**

NH.

NH

NH

NH

It was unanimously resolved:

to approve the results of the self-assessment against the Public Sector Internal Audit Standards subject to the suggestions made being included. **Action**

NH

138. ANNUAL INTERNAL AUDIT REPORT 2014-15

This report was in response to the Public Sector Internal Audit Standards requirement for the Head of Internal Audit to present an annual report to an Authority's Audit Committee. The report provided a summary of the work carried out by Internal Audit in the Financial Year 2014/15 and the

results of that work.

Comments included:

- That more information on the issues involved should be provided in the report for those reviews which had only been able to provide limited assurance ('Street Lighting - Energy Management, Public Health Grant). In addition although it was orally reported that the recommendations for these two reviews had all been implemented, there was a request to have this information provided in an e-mail outside of the meeting **Action** NH
- With reference to page 11 there was discussion regarding the significant discrepancy in the Internal Audit Contribution in relation to the area of External Audit, where the planned days of 8 had been exceeded in eventual actual days by 269, a huge difference. In addition, as set out on page 12 Table 9, it was highlighted the performance indicator target for the delivery of agreed annual Internal Audit Plan Audit Reports had also significantly underachieved (81% against a target of 95%) In response, it was highlighted that in the first three months the Service had struggled as a result of the management and staffing changes which was why there had been no Internal Audit Progress report to the current meeting. The intention was to improve all three areas listed in table 9. **Action: There was a request that the information should include showing performance for the first three months and after separately.** NH
- In relation to the information provided above, and the difficult position Internal Audit had found itself in recent months, there was a request that General Purposes Committee should be asked to support a request from the Committee that Senior Management Team and the Monitoring Officer should acknowledge the support necessary to undertake this vital function for the organisation. **Action: It was agreed that the final wording for the reference would be agreed between Democratic Services and the Chairman and Vice Chairman outside of the meeting.** RVS /
Chair-
man/
Vice

It was resolved unanimously:

To approve the Annual Internal Audit Report for 2014/15 subject to the changes suggested.

139. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR PERIOD ENDING 31st MARCH 2015

The Committee received the above report which had been received and agreed by General Purposes Committee on 19th May 2015.

Issues raised included:

- The Chairman expressing concern that with reference to the graph on page 4 - the forecast outturn position - and the steep reduction

between February and March, it appeared that a considerable number of transactions were only imputed at the end of the year. He was concerned that this distortion could have resulted in unnecessary decisions being made earlier in the year on the basis of the likely level of overspend shown at a particular point. The Deputy Section 151 Officer explained that some of the major changes related to the Eastern Shires Organisation (ESPO) and the Transformation Fund could not be known until the end of the financial year. It was however noted that the intention for 2015/16 would be to include the figures for the Pension Fund on a monthly basis.

- Making reference to the tables in paragraphs 4.2, 4.3, 4.4 and 4.5, several of the figures showed considerable increases from the original estimate of children and adult clients compared with the final number. This poor forecasting record had been a recurring theme for a number of years and the Chairman questioned how they were carried out. **Action: He suggested that this was an area for review by Internal Audit.**

NH

- In relation to information the Chairman had requested in advance of the meeting on activity data in relation to the above tables an oral update was provided which has been included as appendix 1 to these Minutes. There was concern that providing a snap shot of a day appeared to be a waste of resources. **The officer agreed they would review this approach, to see if there was a better way of presenting the information.**

I Smith /
Tom
Bawden

- Page 11 Performance targets - Corporate Priority titled 'Developing our economy' fourth indicator reading 'the proportion of pupils attending Cambridgeshire as schools judged good or outstanding by Ofsted' - the Chairman suggested that this was misleading, as it included two sets of activity relating to Secondary and Primary schools in the same indicator. In addition it also needed to differentiate between academy and non-academy schools, as the former were distorting the figures in a negative way. In response it was indicated that the presentation of the indicator was required by the Department for Education (DFE) / Ofsted in the current format but that General Purposes Committee had asked for a breakdown by the different types of schools. **Action: Authors of the information should be asked to make a further split between not only the types of school, but also between Academy and Non Academy schools.**

I Smith /
RVS

- Page 11 Corporate Priority – 'Helping people live independent and healthy lives' - third indicator reading 'The rate of admissions of people aged over 65 to residential and nursing homes, per 100,000 population' It was confirmed that this was 100,000 people aged over 65, not of the whole population.
- Page 13 – Customer Complaints – ETE - it was highlighted that ETE were still only achieving a 74% score against a 90% target on responding to customer complaints. The point was made by the

Deputy Leader that he had previously suggested that a way to improve the score was to ensure at that at least an acknowledgment / holding response, including suggesting a revised timescale, was provided by the initial target timescale.

Action: Officers were asked for a written explanation on the reasons for the continued under-achievement from the relevant officers.

IS / ETE

- Page 14 – ‘Key exceptions information relating to the number of people successfully quitting smoking with support from stop smoking services’ – as only 76% of the stop smoking target had been achieved for 2013/14 - a drop from 92% in 2012/13 - **Action - The Director of Public Health should be asked the value / justification for maintaining the level of investment in this area, and whether the resources should be re-directed / the level of investment reduced.**

IS / Dr Liz Robin

- Explanation was provided in relation to the large changes in capital reserves in the Reserves and Provisions table on page 45 which reflected that capital grants and Section 106 monies were placed on the balance sheet during the year and then moved as one large capital funding adjustment as part of the year end process.

The report was noted.

140. DRAFT AGENDA PLAN

The Draft Agenda Plan which would be updated for the additional reports requested during the current meeting was noted, with the following changes orally reported / additionally proposed:

- Deletion of the Resources and Performance Report from the July meeting as there was not a General Purposes Committee receiving the report before the next Audit and Accounts Committee. RVS
- Workforce Strategy update added to the July meeting (*Note: Since the meeting it was agreed with the Chairman and Vice Chairman that as the Strategy was only being taken to a July SMT meeting for sign off after the July Committee. this report would be re-scheduled to the September Committee*). RVS
- The Internal Audit Progress Report would be presented to the July Committee.
- Addition requested by the Committee for September – Internal Audit to produce a report identifying the key areas of risk. NH

141. DATE OF NEXT MEETING 2.00 p.m. TUESDAY 14TH JULY 2015

Chairman
17th July 2015

Activity Data Update

- Increases in client numbers are kept under review as part of the demography element of Business Planning process
- The snapshots can tend to indicate above budget figures for number of clients as
 - The budget presents full time equivalent figures, whereas the snapshot is just indicative on one day in the month... it will tend to count people in hospital, for instance, who are on the commitment record but may not be costing us anything while their care is suspended, particularly in Older People (OP)
 - We have found in Physical Disability there was significant working through backlogs of assessment/loading at the very end of March, which minimised their costs in 2014/15, but has led to a spike in demand and extra costs arising in 2015/16
 - For Learning Disability, the process is hampered by using manual commitment records (rather than CRIP/AFM) meaning that all open clients are counted regardless of length of package... so currently activity as presented in the report is only a proxy. Learning Disabilities are actively attempting to move more towards AFM.