AUDIT AND ACCOUNTS COMMITTEE

Cambridgeshire County Council

Date:Tuesday, 26 January 2016

Democratic and Members' Services
Quentin Baker
LGSS Director: Law, Property and Governance

14:00hr

Shire Hall
Castle Hill
Cambridge
CB3 0AP

Room 128
Shire Hall
Cambridge
CB3 0AP

AGENDA

Open to Public and Press

- Tuesday 15th March Shire Hall, Cambridge CB3 0AP
- Tuesday 7th June Shire Hall, Cambridge CB3 0AP
- Tuesday 12th July same venue as above
- Tuesday 20th September same venue as above
- Tuesday 22nd November same venue as above
- Tuesday 24th January 2017 same venue as above
- Tuesday 21st March 2017

oral

The Audit and Accounts Committee comprises the following members:

Councillor Michael Shellens (Chairman) Councillor Sandra Crawford Councillor Roger Henson Councillor Peter Hudson Councillor Mac McGuire Councillor Peter Topping and Councillor John Williams

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

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AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 24th November 2015 reconvened on 11th December 2015

Time: 2.00 - 4.46 p.m.
12.30- 12.45 p.m.

Place: Room 128, Shire Hall, Cambridge

Present: Councillors: S Crawford, S Frost (substitute for Councillor M McGuire), R Henson, P Hudson, M Shellens, (Chairman), P Topping*, and J Williams
* For reconvened meeting only

Apologies: Councillors: M McGuire and P Topping (Vice Chairman) for the first part of the meeting on 24th November.

Action

166. DECLARATIONS OF INTEREST - None

167. MINUTES

The minutes of the meeting held on 14th July 2015 were confirmed as a correct record and were signed by the Chairman.

168. 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:

a) Minute 118 Home to School Transport

Further to concerns expressed at earlier meetings when considering the draft Accounts regarding the previous year's £1m overspend on the above, and as there was still no date for a final report, there was a request at the September meeting for details of milestones for the ongoing project.

As a result, the Chairman had met with Keith Grimwade with the latter clarifying that the Children and Young People Committee would be the appropriate Committee to make final decisions on the Home to School Transport Review. He also provided reassurance on the Home to School Transport budget going forward. The Chairman for his part had made clear that this budget would continue to be of interest to the Audit and Accounts Committee having been informed that the reason for the overspend had been as a result of underestimating demand in previous years.

It was clarified that the budget for Home to School Transport was to be re-set in the Business Planning Process to reflect the underlying pressure and that a new savings target would be allocated to the Service. The Chairman indicated that the Committee would keep a watching brief for 2016-17 in a critical friend role.

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

At the September meeting Audit and Accounts Committee had asked the question whether the public had any input into the Member Review Group looking at public consultation to which the response received was that they did not. The Chairman was not satisfied with this response and sought a reply to a further question he raised on how Members could be expected to make decisions on future public consultation without the benefit of the public having input / making valid suggestions on how the Council could improve its previous consultation arrangements. **Action**

RVS / Mike Soper

c) Performance Targets - Corporate Priority –The proportion of Pupils attending Cambridgeshire schools judged good outstanding

A further update was provided to the Chairman by the Lead Finance Officer on 19th November and is attached for information as Appendix 1 to these minutes.

d) Minute 156 Report - Report to the Audit and Accounts Committee – ISA 260 Report - Request from PWC to provide an explanatory note following the September meeting on why such a significant anomaly on the valuation on 'Assets under Construction' (AUC) had not been identified in previous Audits.

This report was outstanding as External Audit had concentrated their resources on the further work on the AUC data provided at their request from the Council's accountants in order to finalise the most urgent matter , being finalising the 2014/15 Accounts. The Chairman indicated that the Committee still required the report to be produced. **Action**

Clive Everest / Claire Peacock PWC

e) Minute 157 - Statement of Accounts – Various requests for further information

i) Short Term Payables breakdown of the main items in a note to be circulated outside of the meeting

This was still outstanding as it would take a considerable amount of further analysis to drill down the data and split the categories further. The resources had not been available due to the accounts officers concentrating on AUC data work.

C Yates

ii) Capital Expenditure and Capital Financing - request for a briefing regarding the change in the figures in respect of Government grants and Contributions over the Two Years.

This had been circulated in an e-mail dated 22nd November and is included as part of Appendix 1 to these minutes.

iii) Street Lighting - request for a note to be circulated outside of the meeting of how the Council accounted for new street lights in the accounts.

This had been circulated in an e-mail dated 22nd November and is included as part of appendix 1 to these minutes.

iv) Outstanding Invoices – Less than three months – there was a request for a note on why this happened.

This was another request that could not be currently dealt with due to limited officer resources. **Action** **C Yates**

f) 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 orally reported that Bob Menzies written response that "it did not warrant a separate additional risk over and above the general issue of recruiting and retaining the staff to deliver all the programmes", had been fully endorsed by Strategic Management Team. As a reply, the Committee wished to ask a further question of what the impact would be of failure to deliver the City Deal projects. **Action** **RVS / Bob Menzies**

g) Minute 162 – Internal Audit Report to 2015 – Management Actions - Significant Recommendations Still Outstanding – Officers asked to attend the meeting to explain those still outstanding

As an oral update the Interim Head of Internal Audit was able to confirm that there were no longer any significant recommendations still outstanding that required such attendance at the current meeting.

g) Update on Interim Report on Workforce Strategy

As set out on the cover agenda, the Chairman made reference to a note he had received from Human Resources which explained that with the new Acting Chief Executive currently reviewing key activities around the new 'Operating Model', work on the above Strategy was currently on hold.

The Committee agreed it should receive a further update on any progress at the January meeting. **Action** **Janet Maulder**

169. SAFE RECRUITMENT IN SCHOOLS UPDATE

This report provided:

a. a progress update on the introduction of a systematic checking system in maintained schools working with headteachers and administrators which would also help to overcome current weaknesses identified in some schools maintenance of their Single Central Record in order to ensure they were as accurate as possible.

b. information on the number of staff (both teachers, ancillary staff and governors) trained in safe recruitment practice.

c. details of the responses received from academy schools regarding their compliance with safeguarding recruitment policies form as part of the annual Child Protection Monitoring Report as requested in the minutes of the Audit and Accounts Committee of 22nd September. The Committee noted with regard to this that the absolute deadline for returns was the end of November. At the date the report had been written 21 out of 30 secondary academies and 27 out of 34 primary academies had returned the audit; and all had answered 'yes' to both the following questions about safer recruitment:

- Have all selection panels had at least one trained member sitting on it?
- Is there information recorded on the Single Central Record for all staff regarding their eligibility to work in the UK?

As an oral update at the meeting the number outstanding had now fallen to only 5 primary and 6 secondary schools, all of whom had received / would be receiving notice of concern letters with a request for responses to be provided by January at the latest.

In addition, since the Committee's meeting on 22nd September, the 2014/15 report has been published by LGSS Audit & Risk Management Service. The main report, recommendations and the management agreed actions were circulated to members separately. The overall assurance level for 2014/15 had been assessed as 'Moderate'. As a result, the Executive Director for Children, Families and Adults had written to all maintained schools and academies, summarising the findings and setting out clearly the actions that schools should take (Appendix 1 to the report).

Chris Meddle and Sara Rogers presented the report providing further detail on the actions being taken with it being highlighted that the additional measures / safeguarding guidance was welcomed by schools As part of the introduction it was explained that:

- 61 of the 83 academy secondary schools currently subscribed to the Education Child Protection Service's safeguarding review package.
- Governor Services were organising extra training on safe recruitment and refreshers of which there was a demand for them from the schools.
- Ofsted as part of their revised had tw**o** main questions: 1) is the school good enough and 2) is safeguarding good enough.

Reassurance was provided in relation to concerns expressed that the inspection reports of maintained schools and academies weremonitored by the Learning Directorate and any concerns were followed up as a matter of urgency.

Members comments included:

- Whether the Service's expertise was offered to schools out of the County? It was indicated this was the case, as the Service had a good reputation in surrounding authorities and was also required to generate income. Services were being purchased by schools located in Norfolk, Suffolk and Essex.

- Supporting the measures being taken on the basis that the current Audit Report findings were not good enough and as child safety at schools was the paramount concern of Members of the Committee, safeguarding children had to be what schools were required to do, as opposed to aspiring to.

- There should be the sanction that if schools still ignored the follow up letters, the headteacher and Chair of governors should be required to attend the Committee. In response it was explained that in the case of academies they could not be compelled to attend, as they were only answerable in terms of providing safeguarding information if the Education Funding Agency required it, with inspections of academies the responsibility of Ofsted. However the DfE had clarified the role of Local Authorities with regards to academies and safeguarding in 'Schools Causing Concern, that 'Where a local authority has concerns about an academy's safeguarding arrangements or procedures (arising as a result of investigations about individual children or otherwise), these concerns should be reported to the Education Funding Agency (EFA) who have responsibility to take any necessary improvement action and to monitor the situation'.

Attention was drawn to the Safeguarding Review Form included on page 55. The Interim Head of Internal Audit cautioned that in respect of the yes / no response box to the questions, which included requirements against a long list of policies where 'no' answers were recorded, this would automatically result in any Internal Audit Review only being able to provide a limited or moderate assurance rating to a school, even if the auditors did not believe there was a safeguarding concern. Chris Meddle explained that the form was the basis of a developmental conversation with the school leadership about safeguarding. The Chairman suggested there should be a date shown when a particular the policy was last reviewed. He also expressed his concerns that check visits to academies were not on a regular enough basis.

The safeguarding officers made the point that the DBS check was only one part of the safe recruitment process as effectively it was only good for the day it was issued and provided reassurance that appropriate checks had been made. As a result, the Safeguarding Service was also interested in the wider culture, ethos and attitude to safeguarding being promoted at any individual school.

On the basis that the follow up request for the forms had a deadline of

January for compliance, taking account of the school Christmas break,

it was resolved; **K. Grim-wade / Sara Rogers**

To receive a further progress report to the March meeting to include if necessary a confidential list of those non–compliant schools. **Action**

170. INTERNAL AUDIT PROGRESS REPORT TO 31ST OCTOBER

This report provided details of the main areas of audit coverage for the period 1st September to 31st October 2015 and the key control issues arising.

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

No.	Directorate / Description	Assignment	Assurance Opinion
1	LGSS	Health & Safety	Substantial
2	Public Health	Public Health Grant	Good
3	Economy, Transport & Environment	Highways Additional Maintenance Grant	N/A
4	Economy, Transport & Environment	Local Transport Capital Grant Funding	N/A
5	Children, Families & Adults	Community & Capacity Grant	N/A
6	Children, Families & Adults	Think Autism Grant	N/A
7	Children, Families & Adults	Safer Recruitment in Schools Consolidated Report	Moderate

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

The current audit plan was attached at Appendix A to the report and remained at the same number of previously agreed days, 1819. It was anticipated that there would be less days actually delivered in 2015/16 as a result of the work on CLEC. 242 days had currently been earmarked as unallocated. Paragraph 3.1 of the report provided a summary of the allocation of those resources. As an oral update it was reported that the Service had been asked as part of service cuts to reduce the number of audit days by 12-13%. The Chairman expressed concern on whether the need to save money would result in the Service still being able to cover its commitments. Assurance was provided by the Interim Head of Internal Audit in terms of their being adequate resource to cover financial system requests.

Section 4 of the report provided an update on fraud and corruption work undertaken including details of the successful criminal prosecution in the case of fraud by Sarah Lees, the former Children's Workforce Development Manager with the expectation that a prison sentence would be given and that all the monies stolen would be recouped. An application was also to be made for reimbursement of the costs incurred by both the Police and Internal Audit. The intention was to highlight this case within the Council and to use it to re-launch the Council Whistleblowing Policy.

In relation to the fraud management system, a procurement exercise had commenced and the delay in implementation was to ensure the right system was purchased.

Section 5 detailed the outstanding management actions as at November 2015. It was reported that there were no outstanding fundamental recommendations. As indicated earlier in the meeting, the three significant recommendations which had not been implemented at the time of the report preparation (two relating to business continuity and one on the use of Section 106 monies) had, following a report to SMT on 16th November, been implemented by the relevant service directors. It was highlighted that recommendations were continually being reviewed by Internal Audit in consultation with Directors to determine if they were still relevant and merited their significant categorisation and whether revisions were required to implementation dates.

Member comments included:

- A request that in future it would be helpful if the Audit Plan could indicate those areas being progressed. **Action** — **N Hunter**

- The Whistle-Blowing poster should be redesigned to ensure that visually it could not be ignored. **Action** — **N Hunter**

- There was a request for an update on Section 106 monies being used within its time limit via a report to come back to Committee later in the year, as part of the Internal Audit Update Report. **Action** — **N Hunter**

- Requesting that the Audit Plan as set out in Appendix A should be provided in a more reader friendly, larger print format for future meetings. — **N Hunter**

- On Appendix A, one Member queried on what looked like a generous allocation of five days in the Internal Audit Plan for Bus Operators Grant and why it was being undertaken. In response it was indicated that a requirement of the grant was for it to be signed off by the Chief Executive and appropriate assurance therefore needed to be provided.

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.

171. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 30th SEPTEMBER 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 had been approved by the General Purposes Committee that morning.

Comments from Members included;

- On paragraph 3.2.2. One Member challenged the figure for Primary Schools Demography underspend having increased by £1.9m as a result of further slippage, highlighting that the spend on temporary mobile classrooms had increased.

- Page 74 Performance Targets - Helping people live independent and healthy Lives – in respect of the first indicator and the text reading "Percentage of closed family Worker Cases demonstrating progression" there was a request for an explanation of what this meant outside of the meeting. **Action** **Sarah Hey-wood**

- On paragraph 6.2.2 page 81 and the forecast underspend on Strategic investment in Adult Social Care one Member asked if this was a result of less people going into care homes. In response it was indicated that the paragraph related to capital investment as a result of re-phasing expenditure.

It was resolved:

To note the report.

172. EXTERNAL AUDIT UPDATE ON THE MAIN ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA 260 UK & I) REPORT INCLUDING ADDITIONAL WORK ON ASSETS UNDER CONSTRUCTION (AUC)

The Chairman agreed to take the accounts related reports under his Chairman discretion as they had only been finalised following the first despatch on 18th November.

This short update report had been produced to explain the position in relation to the work on updating the ISA 260 Report deferred at the November meeting and included as a listed item on the current agenda the latter of which was provided as an appendix to the cove report.

With the exception of the work in relation to Assets under Construction, PWC the Council's External Auditors confirmed that they had completed their audit fieldwork on both the Council and Pension Fund audits, and that no further matters had arisen which needed to be reported to the Committee.

Once work was completed on the AUC Prior Period Adjustment and related disclosures, the expectation was that PWC would be able to issue an unqualified opinion and the Committee would be able to sign off the accounts. At the meeting a progress update on the latest position on the AUC work was tabled and this is included at Appendix 2 to these minutes. The intention was that the tabled paper would be the replacement note in the final accounts following further discussion with the Council's accounting team. Clive Everest took the opportunity to thank Eleanor Tod for all the help she had provided in looking at the detail of over 1000 projects going back ten years.

The Committee was reminded that the balance sheet to the draft accounts published on 30th June had included assets under Construction as at 31st March 2015 of £189.1m. Further detailed work undertaken after the publication had identified AUC totalling £34.8m. The update provided a breakdown of the various categories which totalled £154.3 million. The majority of the difference related to prior period error in recording transactions occurring between 2006/07 and 1012/13 relating to technical accounting for the classification and recognition of assets. No evidence had been identified to suggest there had been any material loss or failure to safeguard the Council's assets.

As the amounts relating to 2014/15 and 2013/14 were immaterial, the Council had included the adjustments in relation to those years as part of the Prior Period Adjustment. A table in the further update report provided details of the impact for each year. PWC indicated that they would report this treatment as an uncorrected misstatement in their final ISA 260 report, but that the impact was immaterial. A further table provided details of the impact on the financial statements as a result of the adjustments to Property, Plant and Equipment (PPE).

It was clarified that the £160m reduction in fixed assets had no impact on usable reserves.

Member comments included:

- That while it appeared that the changes were a paper accounting exercise one Member asked what the issue was for the Council. In response the Chief Finance Officer indicated that it was more reputational damage which had been caused to the Council as incorrect newspaper headlines had suggested that the Council had lost a £150m of assets.

- The Chairman took the opportunity to thank officers from both the Council side and PWC for all the additional work they had carried out.

- There was a request that the outstanding paper on the history around the classification of AUC should come back to the January meeting. **Action** **Clive Everest /Claire Peacock**

The update position was noted.

173. STATEMENT OF ACCOUNTS

As there were still outstanding issues to be resolved it was not possible to approve the accounts for final sign off for the reasons already discussed in the previous report. As a result, it was agreed to defer this report and to receive a further update at a reconvened meeting of the current meeting which it was agreed should take place on the day of the Member Seminar and Group meetings on 11th December. While this date might not be suitable for External Audit, it was agreed that provided they were in a position to submit a revised ISA 260 Report, their presence was not necessarily required.

It was resolved

> To reconvene the remainder of this meeting at 12.30 p.m. on 11th December to receive updates on the deferred Accounts reports in order to be able to agree and sign off the Accounts.

174. ASSURANCE FRAMEWORK UPDATE

The Committee received an update report providing details of the Council Assurance Framework including the sources of assurance related to key controls for the Council and the detailed assurance used, based on the 'Three Lines of Defence' model. The Framework which had been amended to reflect recent changes, included all the Strategic Risks within the Corporate Risk Register, as well as all key principles from the Council's Code of Corporate Governance.

Member Comments:

- One Member, making reference to the previous reports on the Accounts, questioned whether there was an assurance to cover reputational risk on the Accounts. In response it was highlighted that the first two assurances related to failures to the Business Plan, but in further conversation it was recognised that this was a different issue and that officers should consider whether there was a need for a risk in respect of failure to agree the Accounts / to receive an unqualified opinion on the accounts by the external auditor. Officers would look into this, while highlighting that the way the Accounts were now constructed was not in question, as the area requiring further analysis related to a specific mis-statement from several years ago. **Action** **S Hunter / D Thorp / C Malyon**

- The Chairman drew attention to an issue he had picked up from the Pensions Committee in relation to the forthcoming triennial review which could see the County Council as an employer required to make additional payments as liabilities were increasing faster than the increase in the value of assets.

- Councillor Crawford, making reference to 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, queried if this was included as a risk. In response it was explained that if the query related to the Adults Risk Register, as this was not considered by this Committee, this would be better raised at Adults spokes or the Adults Committee. The broader issue of whether there was a general risk and assurances around not complying with statutory responsibilities / duties placed on the Council, would be further investigated. **Action** **N Hunter / M Kelly**

Having commented on the report it was resolved:

to note the report and that queries raised should be the subject of responses outside of the meeting.

175. AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT

The Committee received the above report which was due to be included on the Council agenda for December and was presented for the Committee's comments and approval as being an accurate representation of the main issues received by the Committee during the Municipal Year 2014/15.

In terms of Section 6 - 'Future Focus for the Committee' a comment made was that as the Council was adopting the new operating model for budgeting, consideration would need to be given on the Committee's future role in looking at outputs, as opposed to inputs. **N Hunter**

It was resolved;

to approve the Annual Report for submission to the Council meeting. **N Hunter**

176. AUDIT AND ACCOUNTS COMMITTEE TRAINING PLAN

It was agreed at a previous meeting that it would be useful for Members to have the opportunity to ask for additional training in respect of the work of the Committee. Further to this, Committee members were e-mailed to seek suggestions for future training requirements, taking into account the remit of the Committee (listed at paragraph 1.1 of the report).

Suggestions received for additional training were in relation to sessions on: risk management; the corporate accounts and on the background to the Council's Private Finance Initiative (PFI) Contracts and Council Borrowing. As a session on the accounts had been an issue raised by two members and as it made sense to receive additional training in advance of consideration of next year's accounts process,

It was resolved:

That a training session should be organised on the Corporate Accounts in advance of the June 2016 Committee. **I Jenkins**

177. DRAFT AGENDA PLAN

It was resolved to note the agenda plan as set out with the following additions:

- January Committee - Update on Workforce Strategy - Lead officers Martin Cox / Janet Maulder

- January Committee - External Audit Report on explanation of why issues around Assets under Construction had not been identified by External Audit as part of previous ISA 260 Reports - Lead officers: Clive Everest - Claire Peacock

- March Committee – Update on Safe Recruitment in Schools – Lead Officer Keith Grimwade

178. DATE OF NEXT MEETING 2.00 p.m. TUESDAY 26th JANUARY 2016 2015

179. AGREEMENT TO ADJOURN THIS MEETING

As agreed earlier, the current meeting had been adjourned to the re-convened time of 12.30 p.m. on the 11th December to receive updates on the Accounts reports in order to be able to approve them for signing off by the Chairman on behalf of the Council.

180. EXTERNAL AUDIT UPDATE ON THE MAIN ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA 260 UK & I) REPORT AND STATEMENT OF ACCOUNTS 2014-15 and

The Chairman agreed to take the updated Accounts related reports circulated to Members in advance of the reconvened meeting under his Chairman's discretion to agree late reports, due to the need to sign off the Accounts as a matter of the greatest urgency.

The new cover report from the External Auditors set out their findings and providing an updated ISA 260 report to the one received at the September Committee meeting, with the main changes being in relation to the additional work carried out around Assets under Construction (AUC). There were no additional issues to highlight from the update report provided to the earlier November meeting, with the current cover report listing the key changes as follows:

- Pages 1 and 13 updated to reflect current outstandings
- Page 14 - Additional section explaining Assets Under Construction (AUC) misstatement / issues

- Page 32 and 33 - Additional control findings relating to AUC issues
- Page 38 - Additional control finding relating to AUC issues
- Page 47 - Updated to reflect adjustments (corrected and uncorrected) relating to AUC
- Page 48 - Additional disclosure changes included in table as some significant accounts alterations were required as result of AUC work

Having now completed the work over the AUC accounting error the External Auditor's report stated that "… we believe that the accounts accurately reflect the AUC position as at year end".

In respect of the Executive Summary to the ISA 260 Report this indicated that the external auditors intended to issue:

- an a unqualified audit opinion on the Statement of Accounts.
- an unqualified opinion on the Pension Fund Statement of Accounts
- an unqualified value for money opinion.

In respect of the updated Accounts Report, the Committee was notified that since the meeting in November, a number of minor changes had been made to the Statement of Accounts document to ensure that all adjustments to the Council's AUC balance resulting from the prior period error, were consistent and accurately presented. It was highlighted that none of the changes since the 24th November were materially significant or required the Committee's particular attention. The majority of the changes were presentational for accuracy only, and were listed in the amendments table under section 3.1 of the cover report.

The Chairman drew Members' attention to an error he had identified in the External Auditor's report on page 21 in relation to unquoted investments in respect of the Pension Fund, where a figure of £1,328m was stated as representing approximately 15% of the Fund. The Chairman, who been a member of the Pension Fund Committee, was aware that the Pension Fund currently only had a value of just over £2,000m and therefore had queried this figure, which if correct, would have meant the value of the Pension Fund would have been around £8,000m. In an e-mail response received that morning the following update was provided by PwC who in apologising for the confusion wrote "Re-reading this it would probably be clearer to explain this as approximately 60% of the net investment assets held by the fund. (e.g. £1,328m within £2,267m)" .

In addition, the Council accountants drew attention to the table on page 25 of the External Audit Report in respect of the Medium Term Financial Statement where the figures were incorrect, as the second line titled "Less Cumulative Intended Savings" showing a figure (£385m) should have read (£410m) which changed the other figures in the table. This had been the subject of previous discussions with PwC, but had not been reflected in the final version included on the agenda.

One Member drew attention to PwC's concerns regarding the material gap between the required cumulative savings in the next 5 years and the plans in place and reserves available to bridge the a gap, the latter of which were less than half the identified gap. While it was appropriate to look at the issue, as highlighted by PwC, the Chief Finance Officer provided assurance that the first three of the five years could be covered, and that going forward over the longer term, this was not unique and was the situation facing nearly all the Councils in the Country.

The Chief Finance Officer took the opportunity to thank the Committee for their patience during the current accounts sign off process and wished to place on record his thanks to his officer team, and in particular, to Eleanor Tod for all the work she had undertaken to resolve the outstanding issues. This was endorsed by the whole Committee.

Having been assured by the Chief Finance Officer that in his professional opinion the errors identified and discussed above were not material in agreeing both the ISA 260 Report and the Statement of Accounts, and having noted the work undertaken on the significant and elevated risks as set out in the report of the external auditors,

It was resolved:

a) to confirm the proposed treatment of unadjusted mis-statements listed in appendix 1 of the ISA 260 Report, and

b) to approve the 2014/15 Statement of Accounts.

Chairman
26th January 2016

Appendix 1

ACTIONS ARISING FROM THE MINUTES OF THE 22ND SEPTEMBER COMMITTEE,

A) Response on request for the Ofsted Outcomes data to be separated out for Maintained Schools and Academies, to be provided on a quarterly basis.

Data requested:-

Ofsted Outcomes at Cambridgeshire Primary Academies (as at 31 July 2015)
Proportion of pupils attending Good and Outstanding Primary Academies with valid Ofsted outcomes: 71.6%
Proportion of Good and Outstanding Primary Academies with valid Ofsted outcomes: 79% (23 out of 29)

Ofsted Outcomes at Cambridgeshire maintained Primary Schools (as at 31 July 2015)
Proportion of pupils attending Good and Outstanding maintained Primary Schools: 79.2%
Proportion of Good and Outstanding maintained Primary Schools: 79.8% (134 out of 168)

Summary from Keith Grimwade:- It is too early to draw any conclusions with regards to the relative performance of primary academies and maintained schools because the majority have only been open a short while and because a third of the primary academies became sponsored academies having been judged inadequate by Ofsted when they were maintained schools'.

B) Responses on Statements of Accounts Request for further Information

Page 156 – Capital Expenditure and Capital Financing - **There was a request for a briefing regarding the change in the figures in respect of Government Grants and Contributions over the two years.**	It relates to Revenue Expenditure Funded by Capital under Statute (REFCUS) and similar adjustments – when the spend for these items is moved to the Comprehensive Income and Expenditure Statement (CIES), any non-borrowing related funding is also transferred and is included on this line, reducing the balance. The amount of funding transferred relating to REFCUS and similar adjustments was higher this year as we did some work on sorting out the Assets Under Construction balance (although this only related to ensuring the balance for the last 2 or 3 years was correct, rather than the much older work we've been doing in recent weeks).
Page 161 Street Lighting – **request for a note of how the Council accounted for new street lights in the accounts.**	They are recognised within infrastructure assets

Appendix 2

EXTERNAL AUDIT TABLED DOCUMENT RELATED TO ITEM 7.

PRIOR PERIOD ERROR

The Balance Sheet in the draft accounts for 2014/15 published on 30 June 2015 included Assets Under Construction (AUC) as at 31 March 2015 of £189.1m. Further detailed work, undertaken after the publication of the draft accounts, has identified that Assets Under Construction at 31 March 2015 totalled £34.8m. The majority of the difference related to a prior period error in recording transactions occurring between 2006/07 and 2012/13 and has therefore been account for as a prior period adjustment.
The nature of the error relates to the technical accounting for the classification and recognition of assets, and no evidence has been identified to suggest there is any material physical loss or failure to safeguard the Council's assets.

The value and nature of adjustments that have been made as a Prior Period Adjustment (PPA) to AUC have been categorised as follows:

Transfers to:	**Amount £000**	**Notes**
Land and Buildings (L&B) in PPE	-4,280	Transfer to Land and Buildings within PPE. These amounts relate to finished construction projects which were not transferred out of AUC and into Land and Buildings on completion.
Reserves (Revaluation Reserve)	-34,010	Assets which were double counted in both AUC and through revaluations in Land and Buildings. These assets have been written out of AUC against the revaluation reserve to the extent there is a balance in that reserve attached to them. .
Reserves (Capital Adjustment Account ["CAA"])	-73,008	As above for Reserves, except this represents the adjustment required in excess of the related balances for these assets in the revaluation reserve. This amount includes £15,813k for the correction of errors in the accounting for the transfer of assets from AUC to completed assets in prior years.
Infrastructure in PPE	10,669	Correction of errors in the accounting for transfers from AUC to Infrastructure in prior years.
Revenue Account (Capital Adjustment Account ["CAA"])	-11,345	Expenditure below the capitalisation threshold on numerous items that are capital in nature, such as expenditure on minor IT or equipment. Should have been transferred to the Comprehensive Income and Expenditure Statement (CIES) in the year during which it is incurred, and then recognised within the CAA.
Revenue Expenditure Funded by Capital Under Statute (REFCUS) (Capital Adjustment Account ["CAA"])	-42,358	Expenditure on assets that are not owned by the Council, such as Academies. This expenditure should have been transferred to the CIES in the year during which it was incurred, and then recognised within the CAA.
TOTAL	**-154,332**	

An analysis of the net error within AUC by accounting periods is provided in the following table:

	2014/15 Amount £'000	**2013/14 Amount £'000**	**Pre 2013/14 Amount £'000**	**Total £'000**
Error value within AUC – increasing/ (decreasing) AUC	2,239	-1,681	-154,890	**-154,332**

As the amounts relating to 2014/15 and 2013/14 are immaterial, the Council have included these within the Prior Period Adjustment for AUC recorded within the financial statements, rather than adjusting the figures for each of those years.

There are then other consequential adjustments for accumulated depreciation. The total impact on Property, Plant and Equipment (PPE) for the adjustment is therefore to reduce the value of the Council's PPE at 1 April 2013 as follows:

	Cost or Valuation £000	Accumulated depreciation and impairment £000	Net impact £000
Increase /(Reduction) in AUC	-154,332		-154,332
Increase /(Reduction) in Land & Buildings	4,280	-725	3,556
Increase /(Reduction) in Infrastructure	-10,669		-10,669
TOTAL INCREASE/ (REDUCTION)	**-160,631**	**-725**	**-161,445**

The adjustments above do not affect the Usable Reserves figure disclosed in the prior years' financial statements.

The following table reflects the total impact on the financial statements as a result of these adjustments:

1-Apr-13# £000	1-Apr-13 (Restated for AUC PPA) £000	Movement in Reserves Statement	31-Mar-14# £000	31-Mar-14 (Restated for AUC PPA) £000	31-Mar-15 (Draft) £000	31-Mar-15 (Final) £000	Movement (in all years) £000
732,551	571,105	Unusable Reserves	676,835	515,389	731,833	570,387	**-161,446**
1-Apr-13# £000	**1-Apr-13 (Restated for AUC PPA) £000**	**Balance Sheet**	**31-Mar-14# £000**	**31-Mar-14 (Restated for AUC PPA) £000**	**31-Mar-15 (Draft) £000**	**31-Mar-15 (Final) £000**	**Movement (in all years) £000**
853,158	856,714	Land and buildings	817,196	820,752	1,002,535	1,006,091	**3,556**
635,377	624,708	Infrastructure	665,429	654,760	697,793	687,124	**-10,669**
251,176	96,844	Assets under construction	216,723	62,391	189,132	34,800	**-154,332**
367,983	333,973	Revaluation Reserve	355,390	321,380	466,091	432,081	**-34,010**
815,855	688,419	Capital Adjustment Account	771,286	643,850	834,419	706,983	**-127,436**
1-Apr-13# £000	**1-Apr-13 (Restated for AUC PPA £000**	**Property, Plant and Equipment**	**31-Mar-14# £000**	**31-Mar-14 (Restated for AUC PPA) £000**	**31-Mar-15 (Draft) £000**	**31-Mar-15 (Final) £000**	**Movement (in all years) £000**

1,895,096	1,734,376	Cost at 1-Apr	1,907,154	1,746,434	2,116,672	1,955,952	**-160,720**
-143,483	-144,208	Accumulated Depreciation and Impairment at 1-Apr	-200,608	-201,333	-217,328	-218,053	**-725**
1-Apr-13# £000	**1-Apr-13 (Restated for AUC PPA) £000**	**Unusable Reserves**	**31-Mar-14 # £000**	**31-Mar-14 (Restated for AUC PPA) £000**	**31-Mar-15 (Draft) £000**	**31-Mar-15 (Final) £000**	**Movement (in all years) £000**
367,983	333,973	Revaluation Reserve	355,390	321,380	466,091	432,081	**-34,010**
815,855	688,419	Capital Adjustment Account	771,286	643,850	834,419	706,983	**-127,436**

Balances stated after adjusting for change in accounting policy for schools as set out in Note 42.

AGS Extract

SIGNIFICANT GOVERNANCE ISSUES

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Balance Sheet included in the draft accounts for 2014/15 published on 30 June 2015 included Assets Under Construction (AUC) of £189.1m. Further detailed work, undertaken after the publication of the draft accounts, has identified that Assets Under Construction at 31 March 2015 totalled £34.8m. The majority of the difference related to a prior period error in recording transactions occurring between 2006/07 and 2012/13 and has therefore been accounted for as a prior period adjustment. The nature of the error relates to the technical accounting for the recognition of assets, and no evidence has been identified to suggest there is any material physical loss or failure to safeguard the Council's assets.

A reconciliation and data cleansing exercise has now taken place which analysed balances over the last 9 years, covering all movements into and out of AUC. All non-operational schemes have been identified and operational schemes have been analysed to determine why the balance was still recorded within AUC and where the balance needed to be transferred to. The majority of this error relates to transactions occurring between 2006/07 and 2012/13 and as a result, all adjustments required to rectify this error have now been processed as a prior period adjustment.

It should be noted that this issue is a largely historic one. The exercise undertaken has not identified any material issues related to the Council's monitoring of additions and disposals to AUC in either 2013/14 or 2014/15, but has raised issues in relation to the transfer of balances on completed projects in earlier years and over the review process for AUC at the end of each year. The Council has now implemented new control procedures whereby the AUC balance at the end of each year will be full analysed and reconciled, and all necessary transfers made each year. Therefore no further issues should arise.

Cambridgeshire continues to face very significant future challenges associated with a significant reduction in Central Government funding, particularly from 2016/17 onwards. The Council's 5 year Business Plan is reflective of these pressures and will be subject to annual review to ensure the extreme financial pressures facing the Council in the latter stages of the Plan can be met whilst continuing to provide effective services to the people of Cambridgeshire.

The Annual Governance Statement process allows the Council to identify any significant actions it is proposing to undertake to enhance its corporate governance arrangements. However there are no such actions requiring specific mention in the 2014/15 Annual Governance Statement.

Appendix 3

AUDIT AND ACCOUNTS COMMITTEE MINUTES ACTIONLOGFOR COMMITTEE MEETING 26th JANUARY 2016

ACTIONS ARISING FROM THE MINUTES OF THE 14th JULY COMMITTEE MEETING			
NO,	**TITLE OF REPORT / MINUTE AND ACTION REQUESTED**	**LEAD**	**PROGRESS / RESPONSE**
1.	**MINUTE 144. ACTION LOG FROM MINUTES**		
	a) 9d) Minute 136 Annual Governance Statement Customer Feedback Questionnaires – Regarding the questionnaire the Chairman suggested officers should consider including a question “What do we do that you think we ought to do again?”**Action**	**N Hunter / S Norman S**	The questionnaire has been reviewed and a further question has been incorporated with the detail sent in an email to the Chairman. **Action completed.**
	b) 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 had suggested at the June meeting that this was misleading, as it included two sets of activity relating to Secondary and Primary schools in the same indicator. In addition, he suggested it also needed to differentiate between Academy and Non-Academy schools, as the former was distorting the figures in a negative way. The action wasthat officers be asked to consider providing a further breakdown between, not only the types of school by pupil age	**S Heywood**	The response in the July report indicated that General Purposes Committee had discussed and agreed a new set of indicators that now no longer included any measure on the proportion of pupils attending schools judged good or outstanding by Ofsted. In discussion there was a request to investigate whether Children and Young People’s (CY&P) Committee included a similar indicator, as this Committee would wish to seek assurance that monitoring was undertaken to identify those schools not working effectively. A response was provided on 29th July which stated

	group, but also between Academy and Non-Academy schools.		C&YP Committee now consider and monitor an updated set of performance indicators which separately reports on the proportion of pupils attendingCambridgeshire (1) Primary, (2) Secondary, and (3) Special schools, judged good or outstanding by Ofsted. It was not proposed to separate out academies because Committee is concerned with all Children in Cambridgeshire schools. At the 22nd September Committee meeting the Chairman commented that he still believed splitting the statistic would show a significant differential and requested the additional information quarterly. A further update was provided to the Chairman in an e-mail dated 19th November which was included as Appendix 1 to the Minutes of the 24th November meeting. **Action completed**
ACTIONS ARISING FROM THE MINUTES OF THE 22ND SEPTEMBER 2015COMMITTEE MEETING			
2.	**MINUTE 152 CAMBRIDGE CENTRAL LIBRARY ENTERPRISE CENTRE REVIEW**		
	a) **Section 6 Public Consultation** and a query on whether the public currently had input to the Member Review Group looking at the Council's approach to consultation, this would be pursued outside of the meeting**.**	**Mike Soper**	Mike Soper confirmed in the update to the November meeting that the public does not input into this Group. As the Chairman was not satisfied with this response suggesting Members could not be expected to make decisions on future public consultation arrangements and how they could be improved without the benefit of the public having input.

			Officers have arranged a meeting with Councillor Shellens to discuss the issue on 26th January. **Action ongoing.**
NO,	**TITLE OF REPORT / MINUTE AND ACTION REQUESTED**	**LEAD**	**PROGRESS / RESPONSE**
3.	**MINUTE 156. REPORT TO THOSE CHARGED WITH GOVERNANCE REPORT TO THE AUDIT COMMITTEE OF THE AUTHORITY ON THE AUDIT FOR THE YEAR ENDED 31ST MARCH 2015 (ISA (UK&I 260)**		
	The Chairman requested that PWC should provide an explanatory note to the Committee following the meeting on why such a significant anomaly on the valuation on 'Assets under Construction (AUC) had not been identified in previous Audits.	**C Everest**	This had not been possible for the November meeting due to the need to prioritise resources finalise the Accounts in relation to the issue highlighted. A short report is provided on the current (January) agenda. **Action completed.**
4.	**MINUTE 157. STATEMENT OF ACCOUNTS**		
	a) Page 137 – Short Term payables – in relation to the payables sum to 'Other local authorities, entities and individuals' it was explained that these represented everything not included in the first three categories of the table and was a snap shot as at 31st March. **The Chairman requested a further breakdown of the main items in a note to be circulated outside of the meeting. Action**	**C Yates**	No update was available at the November meeting due to the considerable amount of resource required to drill down into the data and split the categories further and the need to concentrate on work associated with finalising the Accounts. The officer has now moved role and therefore due to pressing work as part of his new duties has still not found the time to undertake this request. **The Committee to consider the added value this information will provide balanced against the**

			resources required to achieve it.
NO,	**TITLE OF REPORT / MINUTE AND ACTION REQUESTED**	**LEAD**	**PROGRESS / RESPONSE**
	b) Page 156 – Capital Expenditure and Capital Financing - **There was a request for a briefing regarding the change in the figures in respect of Government Grants and Contributions over the two years. Action**	**C Yates**	A response was provided to the Committee in an e-mail dated 23rd November Committee which indicated it relates to Revenue Expenditure Funded by Capital under Statute (REFCUS) and similar adjustments – when the spend for these items is moved to the Comprehensive Income and Expenditure Statement (CIES), any non-borrowing related funding is also transferred and is included on this line, reducing the balance. The amount of funding transferred relating to REFCUS and similar adjustments was higher this year as officers did some work on sorting out the Assets Under Construction balance (although this only related to ensuring the balance for the last 2 or 3 years was correct, rather than the much older work we've been doing in recent weeks). **Action completed**
	c) Page 161 Street Lighting – **there was request for a note outside to be circulated outside of the meeting of how the Council accounted for new street lights in the accounts. Action**	**C Yates**	An update was provided which was included as part of the response included as reproduced at Appendix 1 of the November minutes. **Action completed.**
	d) Page 174 – Outstanding Invoices - Less than three months – **request for note on why this happened. Action**	**C Yates**	An update was provided in an e-mail dated 23rd December with the detail included as Appendix 1 to this log. **Action completed.**

NO,	**TITLE OF REPORT / MINUTE AND ACTION REQUESTED**	**LEAD**	**PROGRESS / RESPONSE**
5.	**MINUTE 158. SAFE RECRUITMENT IN SCHOOLS UPDATE** There was a request to receive an update report at the November meeting.	**K Grimwade**	A report was included on the November agenda. A further update was programmed to come to the March meeting. **Action ongoing**
6.	**MINUTE 161 RISK MANAGEMENT REPORT**		
	On the Corporate Risk Register the following issues were raised		
	a) Risk 1b) – there was nothing showing regarding what activity was undertaken to reduce the risk. **Action**	**Dan Thorp / Sue Norman**	**Risk 1b**: The Corporate Risk Group (CRG) felt that for this risk the activity is probably well established within mitigations rather than being new one-off activity, Dan Thorp Strategy and Policy Manager Directorate of Customer Service and Transformation agreedto investigate further and it will be discussed again at the next Corporate Risk Group on 3rd February. It was noted at the November meeting that the forecasted Children Families and Adults (CFA) overspend has been reduced to £1.4m and that Chris Malyon had reported a year end position in line with budget to General Purposes Committee on 20th October.

NO,	**TITLE OF REPORT / MINUTE AND ACTION REQUESTED**	**LEAD**	**PROGRESS / RESPONSE**
	b) Risk 3 – no active owner or target dates were shown,which had been a request raised at previous meetings. **Action**	**Sue Norman/ Juliette Priddy**	LGSS Management Board will review the workforce strategy and action plan quarterly on 16th January. The owner is confirmed as the LGSS Management Board. There was a target date of September 2016 for the production of a common training programme by Organisational and Workforce Development taken from service needs and compiled from Personal Appraisal and Development Programme (PAPD) outcomes (annually) - owner LGSS People, Transformation and Transactions. The annual employee survey was undertaken this November to feed into LGSS service improvement plans– owner LGSS Service Assurance, Customers and Strategy **Action completed**
	c) Risk 20 – the Chairman suggested that included in the key controls and mitigations column should be testing of retained learning. **Action**	**SN**	This has now been added to the Corporate Risk Register (CRR) **Action completed**
	d) Risk 24 - Review of e-Safety Policy – currently showing amber. There was a request to ensure it was signed off as the target date showed November 2013. **Action**	**Sue Grace / SN**	A report was considered and agreed by Strategic Management Team on 16th November and had now been added into key controls on the CRR. **Action**

			completed
NO.	**TITLE OF REPORT / MINUTE AND ACTION REQUESTED**	**LEAD**	**PROGRESS / RESPONSE**
	• A question was raised at the September meeting on whether the City Deal should feature on the Council's Corporate Risk Register. In response, it was indicated that it was not currently on the Register but the Director, Customer Services and Transformation would check if it was on the ETE Risk Register. Thequery was regarding whether there were implications of the City Deal Capital Programme on the Council's Capital Programme.	**SN / Celia Melville ETE**	With regards to the City Deal Risk, Bob Menzies theService Director, Strategy & Development, offered the following as a steer for SMT: "City Deal doesn't warrant an additional risk over and above the general issue of recruiting and retaining the staff we need to deliver all our programmes. In order to deliver City Deal we have over the last eighteen months filled existing posts that became vacant and which we would otherwise have left vacant, e.g. Head of Major Infrastructure Delivery (MIDI),Team Leader Public Transport Projects, and Two Project Manager posts in MID. We have also made four staff permanent who were employed on temporary contracts to deliver Cycle City Ambition Grant funded cycling infrastructure, and we have added two additional communications support officer posts to help with City Deal consultations. So in effect there are ten more posts in MID as a result of City Deal. All MID posts are charged to scheme budgets. We haven't yet added any additional staff to Transport and Infrastructure Policy and Funding(TIPF) but in a no city deal world MID would probably have merged with TIPF with a further reduction in posts. Between TIPF and MID we have a resource plan in place, and have identified the need to recruit further staff to deliver the rising workload as we move into next year.There has been no impact on the delivery of the Council's Capital Programme from City Deal."

			At the November meeting a further query was raised regarding of what the impact would be of failure to deliver the City Deal Projects An e-mail response was sent on 11th January and is enclosed as Appendix 2.
7.	**MINUTE 170. INTERNAL AUDIT PROGRESS REPORT TO 31ST OCTOBER**		
	a) A request that in future it would be helpful if the Audit Plan could indicate those areas being progressed.	**N Hunter**	This has been undertaken. **action completed**
	b) The Whistle-Blowing poster should be redesigned to ensure that visually it could not be ignored.	**N Hunter**	This is in progress **action ongoing**
	c) There was a request for an update on Section 106 monies being used within its time limit via a report to come back to Committee later in the year, as part of the Internal Audit Update report.	**N Hunter**	This is in progress. **action ongoing**
	d) Requesting that the Audit Plan as set out in Appendix A should be provided in a more reader friendly, larger print format for future meetings.	**N Hunter**	This has been undertaken. **action completed**
8.	**MINUTE 171 INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 30th SEPTEMBER 2015**		
	Page 74 Performance Targets - Helping people live independent and Healthy Lives – in respect of the first indicator and the text reading “Percentage of closed family Worker Cases demonstrating progression” there was a request for an explanation of what this		An e-mail was sent to the Chairman who had made the query providing the information requested.

NO,	TITLE OF REPORT / MINUTE AND ACTION REQUESTED	LEAD	PROGRESS / RESPONSE
	meant outside of the meeting.		
9.	**MINUTE 174. ASSURANCE FRAMEWORK UPDATE** a) One Member, making reference to the previous reports on the Accounts, questioned whether there was an assurance to cover reputational risk on the Accounts and whether there was a need to agree the Accounts / to receive an unqualified opinion on the accounts by the External Auditor. This would be looked at further but as stated at the meeting there was not the expectation of a similar issue to that which had occurred in relation to AUC.	**S Hunter/ D Thorp / C Malyon**	A further response was still being sought **Action ongoing**
	b) Councillor Crawford, making reference to 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, queried if this was included as a risk. In response it was explained that if the query related to the Adults Risk Register, as this was not considered by this Committee, this would be better raised at Adults spokes or the Adults Committee. **The broader issue of whether there was a general risk and assurances around not complying with statutory responsibilities / duties placed on the Council, would be further investigated. Action**		Officers have confirmed that Risk 20 on the Corporate Risk Register "Non-compliance with legislative and regulatory requirements", would cover this. The Chairman who had raised the issue was informed via an e-mail dated 3rd December. **Action completed**
10.	**MINUTE 175. AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT**		
	In terms of Section 6 - 'Future Focus for the Committee' a comment made was that as the Council was adopting the new operating model for budgeting, consideration would need to be given on the Committee's future role in looking at outputs, as opposed to inputs.	N Hunter.	Response: This will be completed at Annual Report time.

	To approve the Annual report to submission to the Council meeting	N Hunter	The report was submitted to the December full Council meeting. **Action completed.**
11.	**MINUTE 176. AUDIT AND ACCOUNTS COMMITTEE TRAINING PLAN**		
	A Training Session to be organised on the Corporate Accounts in advance of the June 2016 meeting	I Jenkins	The officer has been alerted and a training session will be prepared to taken in the hour before the meeting. If Members have particular issues they would like addressed they are invited to contact Ian Jenkins on the following email address so that the session can best be tailored to the needs of Members: ijenkins@northamptonshire.gov.uk **Ongoing**

Outstanding Invoices - Less than three months – request for note on why this happened.

Response

The summarised data from the aged debt reports for the 14-15 and 13-14 year-ends is as follows:

		Current	1-30 Days	31-60 Days	61-90 Days	91-180 Days	181-360 Days	361+ Days
Grand Total 14-15:	41,900,991	22,928,686	11,339,341	2,563,076	684,096	1,283,329	1,015,066	2,087,398
Grand Total 13-14:	25,648,601	16,704,628	1,069,440	505,733	2,228,112	1,159,685	759,625	3,221,377
Change		6,224,058	10,269,902	2,057,342	- 1,544,016			

The comparable figures above imply that most of the issue relates to debt less than 1 month old. Given that debt older than this is reasonable comparable, it seems as though customers are generally honouring the standard 30 day terms. The reasons for the big increase in debt less than 3 months old is as follows (from the debt team):

- The £23m figure for 14-15 ‘current debt’ includes a £3m lodgement and £6m of Pensions invoices, one of the Pensions invoices in particular is £4m. The pensions invoices were cleared prior to the 13-14 year end.
- The £11m figure for 14-15 ‘debt 1-30 days old’ includes £9m of invoices for ES against the debt type ‘Sustainability Infrastructure’. The £9m is made up of 9 invoices in total but there is one large one in particular for £7.9m.

Appendix 2

Risk Register
City Deal update

Dear Audit and Accounts Committee

At the November Audit and Accounts Committee, you received the following update regarding the request that the City Deal should be included in the Economy and Environment Risk Register as follows:

f) 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 orally reported that Bob Menzies written response had stated that "it did not warrant a separate additional risk over and above the general issue of recruiting and retaining the staff to deliver all the programmes", had been fully endorsed by Strategic Management Team.

As a reply, the Committee wished to ask a further question of what the impact would be of failure to deliver the City Deal projects and sought a reply from the officer.

The following response has now been provided in response to the above question:

The basis of the City Deal is that funding is split into three tranches. £100m has been provided for the first five years. Subsequent tranches of £200m for each of the next five years are subject to delivery of the initial tranche. The largest risk of non-delivery is therefore the loss of the further funding of £400m for years 6-15. While there is no direct financial impact on the Council, the impact of our inability to deliver infrastructure to support growth would be very considerable on the Greater Cambridge area and beyond.

Programmes for delivery of the larger projects are tight, having regard to the significant statutory and other processes needed prior to construction, and in consequence not all of the tranche 1 schemes will be fully completed within the initial five years. The Government will assess delivery by measuring each scheme against budget and programme, but the measures will not be set until the schemes are fully developed and committed.

It should be noted that the City Deal Board have prioritised £168m of schemes for tranche 1. While some of the additional funding will come from other sources such as developers, this also allows some contingency should projects take longer to develop, or are significantly scaled down or varied from the initial concepts in the bid following public consultation. Some funding has also been allocated for early development of tranche 2 projects, which will commence next year and provide a reserve list of projects.

Kind regards

Rob Sanderson
Democratic Services Officer
Cambridgeshire County Council
Telephone 01223 699181
Email: rob.sanderson@cambridgeshire.gov.uk

Interim Report on Workforce Strategy

To:	**Audit & Accounts Committee**
Date:	**Tuesday 26th January 2016**
From:	**Martin Cox, LGSS Head of People**
Electoral Division(s):	**All**
Purpose:	An update on the plan to develop a Workforce Strategy
Recommendation:	The Committee notes the update and receives a future briefing on content of the Strategy once it has been finalised.

	Officer contact:
Name:	Martin Cox
Post:	LGSS Head of People
Email:	martincox@cambridgeshire.gov.uk
Tel:	07921092743

1. Background

1.1 Members have previously been briefed that the Council is in the process of changing how it communicates its priorities for supporting and developing employees to deliver the services our customers need.

2. Workforce Strategy

2.1 Since previous updates on progress, Strategic Management Team (SMT) have been continuing to work on embedding the new Operating Model for the Council.

2.2 Now that SMT have presented a budget to Council for this year, they will be reviewing the strategic direction set for the organisation. It is critical that this strategic direction is clear before a meaningful workforce strategy can be agreed.

2.3 Understanding the direction will enable us to determine the skills needed by our workforce for the future, and plan how best to achieve this.

2.4 In the meantime a number of other key projects have been undertaken in recent months to support the development of our workforce and these include:

- Introducing a new Performance Management procedure with effect from 1st January 2016 to support high performance across the organisation.
- A review of management pay which has led to a more equitable and fit for purpose pay structure.
- Revisions to the performance appraisal process.
- A new employee recognition scheme is being launched in January 2016. Recipients will receive a £50 gift voucher and an additional day's annual leave. The award will be presented by the Service Director and winners will be featured on the Daily Blog. Each year SMT will review all those recognised and select the best example for wider recognition at Full Council.

2.5 SMT will be reviewing the strategic direction over the coming weeks and once this is done work will re-commence on shaping the workforce strategy.

2.6 A further update on progress should be available by June.

Report to the Cambridgeshire County Council Audit and Accounts Committee concerning Assets Under Construction

Background

At the September 2015 Audit and Accounts Committee meeting for the Council we reported that our audit had identified that the assets under construction ('AUC') balance of £189.1m in the draft Council Statement of Accounts for 2014/15 was not supported by a detailed breakdown by asset and project. Following this meeting management conducted a review to understand the nature of the items included in this balance and to quantify any correcting entries required. Following this review management proposed a number of correcting entries.

We performed additional procedures over management's workings to confirm the accuracy and completeness of the proposed correcting entries and full details of these are included in note 43 to the 2014/15 Council's Statement of Accounts, and in the Annual Governance Statement.

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

Our audit procedures and results

Our records date back to 2007/08 and from 2008/09 onwards, we identified PPE as a significant risk in our audit. The precise focus on this risk in any particular year was dependent on the circumstances of that year, including the results of the prior year audit and whether any significant new projects had been implemented.

We focused our work on movements in PPE by testing additions (to address the risk that items had been capitalised which should have been expensed) and disposals (to confirm that assets disposed of were correctly removed from fixed assets). We also performed additional testing to address the specific PPE risks identified in the years they arose.

Between 2007/08 and 2013/14 we identified and reported to the Audit and Accounts Committee and management a number of correcting entries required to PPE identified as a result of our 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. In 2014/15 our audit identified that the AUC balance was not supported by a detailed breakdown by asset and project. As a result, management conducted a review which resulted in the correcting entries set out in note 43 to the 2014/15 Council's Statement of Accounts.

A fixed asset register providing an analysis of the AUC balance was not available prior to 2014/15, and with the focus on testing movements in PPE, build-up of the balance over a period of time did not flag as a concern in our audit, particularly given the long term nature of many construction projects.

Next steps

In the Annual Governance Statement for 2014/15, the Council notes:

"The Balance Sheet in the draft accounts for 2014-15 published on 30 June 2015 included Assets Under Construction (AUC) as at 31 March 2015 of £189.1m. Further detailed work, undertaken after the publication of the draft accounts, has identified that Assets Under Construction at 31 March 2015 totalled £34.8m. The majority of the difference related to a prior period error in recording transactions occurring between 2006-07 and 2012-13 and has therefore been accounted for as a prior period adjustment.

The nature of the error relates to the technical accounting for the classification and recognition of assets, and no evidence has been identified to suggest there is any material physical loss or failures to safeguard the Council's assets."

We note this and believe that the correcting entries to AUC recorded in the current year are appropriate.

We have discussed with management the controls and processes which are required to mitigate against this going forward and we have recommended that management implement a fixed asset register (which includes AUC) to ensure that any projects which need to be written off or transferred on completion have been posted on a timely basis. We have also recommended that the newly created fixed assets register is reviewed annually as part of closing of the accounts. The Audit and Accounts Committee has seen our recommendations and they have been accepted by management.

Management have already included AUC in the fixed asset register as at 31 March 2015 as part of their investigation into this matter and have also implemented a control to review all assets in the register on an annual basis.

PricewaterhouseCoopers LLP

8 January 2016

Agenda Item 5

ISA260 REPORT FOR THE YEAR ENDED 31ST MARCH 2015

Attached is External Audit's final ISA260 report to the Committee detailing their findings as part of the year end audit.

This report is an update to the report issued to the Committee in December, with the following changes made, as a result of 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.

There is nothing to highlight to Committee that has not been previously communicated.

The External Auditors have provided the above for the Committee to note and confirm that there are no actions for the Committee to have to undertake.

Cambridgeshire County Council

Report to those charged with governance

Report to the Audit Committee of the authority on the audit for the year ended 31 March 2015 *(ISA (UK&I)) 260)*

Government and Public Sector

December 2015

Contents

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit of the Statement of Accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.

Executive summary

Background

This report tells you about the significant findings from our audit of both the County and the Pension fund.

We presented our final plan to you in March 2015; we have reviewed the plan and concluded that our risk levels remain appropriate for the audit of the County financial statements.

However, in relation to the Pension Fund accounts, we have included an additional significant risk in relation to the Valuation of the investment in the Cambridge and Counties Bank. We had previously included this valuation within our elevated risk around unquoted investments – but now believe that the bank valuation in particular represents a separate significant risk.

Audit Summary

COUNTY

We have completed the majority of our audit work and intend to issue an unqualified audit opinion on the Statement of Accounts.

The key outstanding matters, where our work has commenced but is not yet finalised, are as follows:

- Completion procedures including subsequent events review; and
- Audit of the Whole of Government Accounts submission.

PENSION FUND

We have completed our audit work and intend to issue an unqualified audit opinion on the Statement of Accounts.

There are 5 key judgments which require the Audit Committee's attention – further details are set out commencing on page 20.

The Audit Committee need to confirm the proposed treatment of unadjusted misstatements listed in Appendix 1.

We anticipate issuing an unqualified value for money opinion. Please see further details on page 25 of this report.

We would like to thank the staff and management at the Council and the Pension fund for their assistance in completing this audit.

The final version of this report will be sent to the PSAA.

We presented to you and discussed our draft report on Tuesday 22 September 2015. Clive Everest and Claire Peacock attended the meeting from PwC. This report has been updated based on our audit work since that date.

Audit approach

Our audit approach was set in our audit plan which we presented to you in March 2015.

We have summarised below the significant and elevated risks we identified in our audit plan for each of the County and pension fund audits, the audit approach we took to address each risk and the outcome of our work.

We bring to the Audit Committee's attention that we have added an additional significant risk in relation to the Pension Fund accounts. This is to include the Valuation of the investment in the Cambridge and Counties Bank as a separate significant risk. We had previously included this valuation within our elevated risk around unquoted investments – but now believe that the bank valuation in particular represents a significant risk on its own.

We have also undertaken a significant amount of additional audit work in respect of the Assets Under Construction (AUC) balance, which has been materially amended since the draft accounts. This work has been conducted as part of our existing significant risk on PPE valuation, but the focus and extent of this work has changed and increased substantially as a result of identifying the material accounting error.

County Council Risk	Risk Level	Audit approach	Results of work performed
Management override of controls ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.	Significant	As part of our assessment of your control environment we considered areas where management could use discretion outside of the financial controls in place to materially misstate the financial statements or to steal material assets. We performed the following procedures: • Understood and evaluated your relevant controls over misreporting; • Reviewed the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • Tested the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affected the reported deficit/surplus; • Reviewed accounting estimates for bias and evaluated whether judgments and estimates used were reasonable; • Evaluated the business rationale underlying significant transactions outside the normal course of business; • Performed unpredictable procedures targeted on fraud risks. This included looking at a random selection of journals, and assessing lines within the accounts below our materiality threshold; • Assessed completeness of related parties and related party transactions disclosed in the accounts. • Understood and evaluated controls over material fraud through theft, principally through understanding and evaluating the key controls over cash payments and contract awards; and • Independently confirmed all bank and loan balances at the year end and perform testing of key reconciliations, including bank reconciliations.	• No matters came to our attention which we wish to report to you in relation to our review of the accounting policies and estimation bases; • Journals were tested on a targeted risk based approach and no issues were noted; • Review of accounting estimates did not identify any circumstances producing bias; • We confirmed all bank accounts with third parties; and • Evaluation of significant or unusual transactions did not highlight any with inappropriate business rationale.

County Council Risk	Risk Level	Audit approach	Results of work performed
Risk of fraud in revenue and expenditure recognition Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition. We extend this presumption to fraud in the recognition of expenditure in local government.	Significant	We obtained an understanding of relevant revenue and expenditure controls and evaluated these. We evaluated and tested the accounting policies for income and expenditure recognition to ensure that they were consistent with the requirements of the Code of Practice on Local Authority Accounting and with prior years. We considered the separate income and expenditure streams and assessed the risk of fraud in each of these, and then designed and performed detailed testing of revenue and expenditure transactions, focussing on the areas we considered to be of greatest risk. Our work over journal entries described above also had a specific focus around income and expenditure.	• We have obtained an understanding of relevant revenue and expenditure controls. • We have evaluated and tested the accounting policy for income and expenditure recognition to ensure that it is consistent with the requirements of the Code of Practice on Local Authority Accounting. • We have performed detailed testing of revenue and expenditure transactions, focussing on the areas we considered to be of greatest risk. • We found no significant matters to report to you in this context.

County Council Risk	Risk Level	Audit approach	Results of work performed
Fixed Asset Accounting The scale and complexity of the Council's estate presents a number of accounting challenges. In particular, the value of Fixed Assets relative to materiality and the judgements applied in revaluing assets each year. In our previous audits, a number of areas for improvement were identified around the accuracy and valuation of Fixed Assets, including: • Timely preparation of and processing of impairment adjustments; • Reconciling the fixed asset register to underlying records; • Clearance of historical capital adjustment balances; and • Tracking changes in the status of schools and updating the accounting records accordingly.	Significant	We performed procedures to; • review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • review accounting estimates for bias and evaluate whether circumstances producing any bias represent a risk of material misstatement due to fraud; • evaluate the business rationale underlying significant transactions; • Review the work done by, and findings of, the internal and external valuers. This included engaging with our own PwC internal real estate team to get their expert view on the indexation rates used as well as the valuations performed by the Council's internal and external valuers; • Review accounting treatment of any impairments – there were noted to be only immaterial impairments in the year; • Considered the Council's assessment of any material movement in value of assets not valued by the external valuer in 14/15; and • Performed work to seek to identify any unrecorded impairments on assets which have not been revalued in the year – such as AUC and Infrastructure. See accounting issues raised on page 14.	• We have assessed the revaluations performed by the internal and external valuation experts, utilising our own real estate experts. • We have tested the data used by the valuers to ensure this was adequate to support the accuracy of the valuations used. • We have considered management's assessment of the need for impairments on each asset category, and challenged for evidence where we identified that any judgement has been used. • Our PwC real estate experts assessed the Council's indexation figures and a sample of valuations for reasonableness. We did not note any issues from their review. • We showed scepticism and challenged carrying value of Infrastructure and Assets Under Construction (AUC). As a result of this we identified a material prior period error in the carrying value of AUC. Please refer to page 14 of this report where this is explained in detail. Working with the Council, we have conducted significant extra work over this balance and the resulting correcting journals, and the related disclosures.

County Council Risk	Risk Level	Audit approach	Results of work performed
Change in accounting policy – Schools CIPFA's Local Authority Accounting Panel has issued a bulletin ("LAAP 101") that provides new guidance on the accounting treatment of non-current assets used by schools. LAAP 101 notes that 'it is generally the case that for religious schools, non-current assets (such as the school buildings) are not owned by the school but by another legal body'. The Council therefore needs to carry out an exercise to ensure that it applies the guidance in LAAP 101 to its schools. In line with LAAP Bulletin 101, the Council is required to adopt a change in accounting policy in respect of schools accounting – this will also potentially result in a number of prior period adjustments. since this is something which will affect both current and prior years on both the balance sheet and income and expenditure statement.	Elevated ●	• We audited the Authority's approach to addressing the guidance in the LAAP bulletin. • We checked the Authority had obtained sufficient evidence to enable it to form a conclusion as to whether the non-current assets of individual schools should be included within its balance sheet. • We audited resulting adjustments and consider any implications for restating prior year comparatives. We will review the changes to accounting policy as detailed within the LAAP Bulletin, and assess the Council's interpretation of the required changes. • We reviewed management's adjustments and working papers behind the adjustments to prior year figures, as well as looking at the entries relating to the current year to adjust for the policy changes. • We performed a consistency check to ensure that the changes made are in line with our expectations.	• We have reviewed the treatment of schools moving both in and out of the Council's control and deemed the related adjustments to be appropriate, including the treatment and disclosure of the Prior Period Adjustment.

Although not a significant risk for the audit opinion on the accounts as defined by auditing standards, we also consider the risk related to the work to be performed on the value for money conclusion to be significant, given the financial position of the Council.

Value for Money **In meeting our statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's Code of Audit Practice (the Code) requires auditors to:** **• plan their work based on consideration of the significant risks of giving a wrong conclusion; and** **• carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.**	Significant ●	This risk was included to highlight that we judge that there is a significant risk in relation to our value for money responsibility. • We are required to consider value for money to be a significant risk if the Authority's medium term plan (MTP) includes material unidentified savings. • We met with the key directors to discuss their views on the Council's savings plans. • We have considered the success of the Council in achieving past savings plans and targets. • We have assessed the efficiency of the Council compared to other County Councils in England, using benchmark data. • We inspected the Authority's MTFS as updated for the current year, noting a material cumulative savings gap of £410m over the next 5 years. • We have benchmarked certain of the key assumptions in the MTFS, and looked at the Council's assessment of how the savings gap will be addressed. We have analysed the state of development of key future savings plans, and looked at how achievable they seem given past successes and targeted savings levels.	• We have met with the Council's senior management to discuss savings plans and business processes; • We have obtained evidence to support the assertions made by senior management, where necessary. • We have assessed the historic success of the Councils savings plans which have been implemented in prior years • We have assessed the business case behind a sample of savings plans included within the MTFS. • For detail on the work done and our findings, please see separate section on Economy Efficiency and Effectiveness on page 25

Pension Fund Risk	Risk Level	Audit approach	Results of work performed
Management override of controls ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.	Significant	We performed procedures to: • Understand and evaluate relevant controls relating to fraud and misreporting; • Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • Test the appropriateness of journal entries; • Review accounting estimates for bias and evaluate whether circumstances producing any bias, represent a risk of material misstatement due to fraud; • Evaluate the business rationale underlying significant transactions; • Identify unusual activity, including 'unpredictable' procedures; • Assess completeness of related parties and related party transactions disclosed in the accounts; and • Independently confirm all investment balances held by third parties at the year end to confirm the assets' existence.	• No matters came to our attention which we wish to report to you in relation to our review of the accounting policies and estimation bases; • Journals were tested using a targeted risk based approach and no issues were noted; • Review of accounting estimates did not identify any circumstances producing bias; • We have also confirmed all bank accounts with third parties; and • Evaluation of significant or unusual transactions did not highlight any with inappropriate business rationale

Pension Fund Risk	Risk Level	Audit approach	Results of work performed
Risk of Fraud in Revenue Recognition (contribution and investment income) Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.	Significant ●	For the Pension Fund, we considered that risk of fraud in recognition in contributions and investment income was an area of significant risk. We did not consider transfers in from other pension funds to be a significant risk. We performed; • Work to understand and evaluate relevant controls relating to revenue recognition for contributions and investment income; • Testing of the controls in place to reconcile the Shareholder system with investment manager and custodian reports; • An evaluation of accounting policies for income recognition to ensure that this is consistent with CIPFA/LASAAC Code if Practice on Local Authority Accounting; • Tests of detail over contributions and investment income relating to the accuracy and existence of this income; • Obtain an understanding and evaluate the controls relevant • Testing of journals affecting income on a risk basis; and • Testing of a sample of investment income amounts through to investment manager reports.	• We have understood and evaluated relevant controls in place around areas of income recognition assessed as higher risk. • We have evaluated accounting policies on revenue recognition and deemed them to be appropriate. • We have tested the reconciliation of investment manager returns to the custodian return. • We have tested contributions and investment income. • We did not note any issues from our testing performed relating to revenue recognition.

Pension Fund Risk	Risk Level	Audit approach	Results of work performed
Valuation of complex unquoted investments We have included an elevated risk in relation to the valuation of complex unquoted investments. This is an area of management judgement informed by the custodian and fund managers. £328m (representing approximately 15%) of the pension fund is invested in unquoted investments at year end. Our audit approach seeks to ensure that the estimated value used by management is fairly stated to a material level.	Elevated	• We considered the valuation of unquoted investments in conjunction with the prevailing accounting standards. • We deem this to be an elevated risk rather than significant risk since the Fund holds assets across different fund managers who each provide them with valuation information, therefore the valuation risk is spread. • We sought assurance that these valuations had not been subject to impairment at the date of the net assets statement. • We also tested on a sample basis the valuation of complex private equity funds and other alternative investments held to assess the appropriateness of the valuation methods.	• We have tested a sample of investments which we deemed to be more complex to value in nature. • We have sample tested the accounting entries relating to the revaluation of complex unquoted investments • We did not note any issues from our testing performed relating to unquoted investments – excluding Cambridge and Counties Bank investment, which is included as a separate risk below. • We note that the Council used some December 2014 values to estimate the year end value of some unquoted investments as these were the latest available figures. We have raised an adjustment (see Appendix 1 for details) as the March 15 data became available to value the unquoted investments more accurately.

Pension Fund Risk	Risk Level	Audit approach	Results of work performed
Valuation of the investment in Cambridge and Counties Bank As above, this is now considered a separate risk as the year end value of the Funds share of the investment is individually material and management's valuations obtained from an expert showed judgements would be required by the Pension Fund that could result in materially different estimates of the bank's value. As part of the investment strategy, in November 2011 it was agreed that the Fund, in conjunction with Trinity College, would purchase a 50% equity stake each in a bank ('Cambridge and Counties Bank'). This bank was formed in June 2012. This will be the third year that the bank has appeared in the Fund's accounting statements and we will be seeking assurance that the value of the bank is not materially misstated and is in line with prevailing accounting standards.	Significant ●	• We reviewed the valuation performed by the external experts for reasonableness. • We engaged our internal PwC experts to assist in performing an assessment of the valuation of the bank. • We sought evidence for assumptions made by the Pension Fund in valuing the bank, applying professional scepticism and challenging/ seeking evidence for the key assumptions made by the Council's expert valuer. See pages 17 and 18 for further details on these.	• We have obtained the external valuation that Hymans were engaged to perform. We note that this valuation was performed on the Bank as a whole, rather than the Pension Fund's share of the Bank. This differs as, although the two parties hold equal equity shares, the Pension fund also owns preference shares • We have engaged internal experts in PwC to assist in the assessment of the valuation of the bank, which has included a review of the methodology and assumptions used by Hymans and the Pension Fund. • We have concluded that the valuation in the Pension Fund is not materially misstated, but raised a number of issues over the process undertaken and the evidence to support the valuation used. • See pages 17 and 18 for further detail on this.

Intelligent scoping

In our audit plan presented to you in March 2015 we reported our planned overall materiality which we used in planning the overall audit strategy.

Our materiality level included within our audit plan varied from the amounts shown below because we used recalculated using actual current year figures from the 2014/15 draft accounts. This update decreased our County overall materiality level by £2.6m and increased our Pension overall materiality level by £2.3m.

Our revised materiality levels are as follows:

	COUNTY £	**PENSION FUND £**
Overall materiality	16,400,000	22,800,000
Clearly trivial reporting de minimis	500,000	500,000

Overall materiality has been set at 2% of actual expenditure for the year ended 31 March 2015 for the County.

Overall materiality for the pension fund audit has been set at 1% of net assets for the year ended 31 March 2015.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial" i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Audit Committee at its meeting in March 2015.

This level could have been higher based on our methodology, however this has been capped by the audit committee.

Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

Accounts

COUNTY

We have completed the majority of our audit work and intend to issue an unqualified audit opinion on the Statement of Accounts.

The key outstanding matters, where our work has commenced but is not yet finalised, are as follows:

- Completion procedures including subsequent events review; and
- Audit of the Whole of Government Accounts submission.

As part of our work on the Statement of Accounts we will also examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts.

PENSION FUND

We have completed our audit work and intend to issue an unqualified audit opinion on the Statement of Accounts.

Accounting issues - County

Prior Period Adjustments

We noted a number of proposed and actual prior period adjustments during our audit work, some of which were proposed by management. These are detailed as 1-4 below.

1. The most significant of these was in relation to a prior period error within Assets Under Construction (AUC). This resulted in a net reduction in the AUC balance of £154m. Please see details as a separate accounting issue on page 14.

2. As part of the changes to the CIPFA Code of Practice, the Council was required to make prior period adjustments to correctly recognise its PPE balance – specifically relating to schools as detailed below.

3. The Council also initially included two other prior period adjustments. One related to the disclosure of Public Health income and expenditure. We agreed that this change should be accepted to ensure consistency year on year, but our view was that this represented a reclassification of balances, rather than a prior period restatement. The bottom line figure did not change as a result of this. This was therefore amended in the final accounts.

4. The other adjustment related to the correction of a prior period fund balance. The effects of this were immaterial, so we asked the Council to reverse this prior period adjustment. The year end position remains correct. This was therefore amended in the final accounts.

Valuation and Existence of PPE

The Council does not maintain a fixed asset register for Infrastructure assets or Assets Under Construction. We have previously reported this as a control weakness to the Council in our reports in prior years.

The combined net book value of all such assets held on the Council's draft balance sheet in respect of these balances was £887m (AUC: £189m, Infrastructure: £698m).

As a fixed asset register does not exist, we were required to perform additional procedures on our audit as detailed below.

Assets Under Construction (AUC):

AUC typically represents projects underway to build infrastructure assets and on buildings. Upon completion of any project, we would expect transfers from Assets Under Construction to these categories of PPE, or for costs to be written off if the assets concerned are not held within the Council's PPE (such as REFCUS spend).

The Balance Sheet in the draft accounts for 2014/15 published on 30 June 2015 included Assets Under Construction (AUC) as at 31 March 2015 of £189.1m. As there was no supporting asset register we challenged management to produce an analysis supporting this value.

The resulting review by the Council identified that the AUC balance as at the year end was materially lower than that presented in the draft accounts, and consequently management undertook a comprehensive exercise to understand the various elements in the £189.1m. This involved analysing movements by AUC project going back to 2006/07 – a significant and time-consuming process to prepare and audit that resulted in the late finalisation of the accounts.

Following this review by management the AUC balance at 31 March 2015 was demonstrated to total £36.3m. The majority of the difference related to a prior period error in recording transactions occurring between 2006/07 and 2012/13 and has therefore been account for as a prior period adjustment.

The Council has adjusted for this error – which is set out in detail in a newly-created Note 43 to the accounts.

The £154m has been adjusted to four different areas as set out in Note 43 of the final accounts. Simplistically however, this can be represented as follows –

Adjustment	£'m
Land and buildings	4
Infrastructure assets	(11)
Revaluation reserve (Unusable Reserves)	34
Capital Adjustment account (Unusable Reserves)	127

An analysis of the net error within AUC by accounting periods is provided in the following table:

	2014/15 Amount £'000	2013/14 Amount £'000	Pre 2013/14 Amount £'000	Total £'000
Error value within AUC	2,239	(1,681)	(154,890)	**(154,332)**

As the amounts relating to 2014/15 and 2013/14 are immaterial, the Council have included these within the Prior Period Adjustment for AUC recorded within the financial statements, rather than adjusting the figures for each of those years. We have therefore included this within our Summary of Uncorrected Misstatements in Appendix 1.

There are then other consequential adjustments for accumulated depreciation. The total impact on Property, Plant and Equipment (PPE) for the adjustment is therefore to reduce the value of the Council's PPE and Unusable reserves at 1 April 2013 as follows:

The adjustments above do not affect the Usable Reserves figure disclosed in the prior years' financial statements.

	Cost or Valuation £000	Accumulated depreciation £000	Net impact £000
Increase /(Reduction) in AUC	(154,332)		(154,332)
Increase /(Reduction) in Land & Buildings	4,280	(725)	3,556
Increase /(Reduction) in Infrastructure	(10,669)		(10,669)
TOTAL INCREASE/ (REDUCTION)	**(160,631)**	**(725)**	**(161,445)**

We have performed audit procedures as follows over each adjustment category, and the £35m remaining in AUC, to ensure that the accounts are not materially misstated.

1. Obtaining detailed listings for a sample of 64 projects and agreeing this to the AUC Analysis working paper;
2. Selecting a single cost line from each project breakdown, in order to obtain evidence for the value included in that project;
3. Ensuring that the project has been allocated to the correct adjustment category in the table above; and
4. Ensuring that the proposed double entry for each adjustment category is correct.

We have now completed our work over this error, and believe that the accounts accurately reflect the AUC position as at year end.

We have raised a significant control deficiency in respect of this matter on page 32.

Infrastructure:

Infrastructure assets include items such as bridges, pavements, streetlights and signs.

The current accounting policy for this asset category is to capitalise infrastructure assets at cost.

Depreciation is charged annually, but is not allocated to specific assets. 1/40th of the closing book value at year end is taken as the depreciation for the year. This represents the Council's best estimate of the average life of such assets, but we note this is not based on actual experience or set separately for each category of assets (unlike other PPE assets where componentisation is applied). This depreciation rate therefore represents an estimate for the Council in its accounts.

The Council does not maintain a fixed asset register for their Infrastructure assets balance, which means that it is not possible to agree the book value back to individual assets acquired. Assets within this category have been capitalised over many years, indeed decades, with relatively few large recent additions such as the PFI street lighting and busway. The Council has also been unable to identify alternative records to support the majority of this balance.

This means that the Council has a significant weakness in its controls around this category of PPE, as costs and values cannot be linked to the remaining underlying assets.

We have therefore faced practical issues in obtaining adequate audit evidence to support the ongoing existence of the majority of this balance in the accounts. We therefore considered the need for us to qualify the accounts on the grounds that this balance could not readily be supported. To ensure we considered the Council's position in line with all other councils, we consulted internally with our technical panel on this issue. We concluded that we did not need to qualify, due to the nature of the assets, the alternative evidence we could obtain from past audit work, and indirect evidence such as from Council minutes.

This was however subject to some amendments to clarify the Council's accounting policies in this area to make the position clearer to readers of the accounts, which have been adjusted in the final accounts. We have however flagged this as an area of significant control weakness, not least as weaknesses in asset existence controls can increase fraud risk.

We note that the accounting treatment for this asset category is changing as at the start of 2016/17, and the Council should seek to improve these controls as part of the implementation of that change.

Schools Accounting

As part of a LAAP Bulletin update affecting all Councils holding schools assets on their balance sheet, the Council were required to remove the PPE for the majority of voluntary controlled schools valued at £79m from the balance sheet, and bring on the PPE of foundation schools, valued at £75m. This gave a net effect of £4m.

We identified as part of our audit plan that the changes around schools accounting would have a material effect on the financial statements this year.

We have performed work over the PPE adjustments made by the Council to remove the appropriate voluntary controlled schools from the balance sheet and to bring the appropriate foundation schools back onto the balance sheet.

Our testing did not reveal any errors in the calculation.

We also assessed the completeness and accuracy of the balances which were adjusted in the prior year comparatives, as required by Auditing Standards. Again, no issues were noted from this work performed.

Cash

The Council's cash balance is made up of hundreds of different bank accounts held with several different banks. Many of these bank accounts are used by separate entities which are consolidated into the Councils accounts (for example schools' bank accounts).

The Council does not oversee the controls around monthly bank reconciliations, or the relationships with the banks.

We have therefore encountered issues in auditing the cash balances as,

- reconciliations have not always been performed;
- confirmations have not all been received for accounts the Council believes exist; and
- confirmations have been received for bank accounts that the Council is unaware of.

With the assistance of management, we have been able to reconcile the accounts for which we did not receive a confirmation to the accounts which were included on the GL without a confirmation.

We believe that the lack of internal controls around cash indicate an internal control deficiency, which has been explained further on page 35.

Reconciliation of Payroll records to the General Ledger

As part of our testing of the payroll expenses included in the Council's Comprehensive Income and Expenditure Statement (CIES), we are required to audit a reconciliation between the Council's general ledger and the amounts paid through on a monthly basis to Council staff.

We recommended in the prior year that the Council should ensure that these reconciliations are happening on a monthly basis. Whilst a reconciliation is now performed by the Council's Payroll department, this does not include all payroll costs recorded by the Council on its general ledger.

At our request the Councils' Corporate Finance department has now been able to provide us with a reconciliation of all payroll costs on the general ledger to all amounts paid through the monthly payroll runs.

Related Parties

Please refer to the specific section on related parties included below on page 22.

Provision for Doubtful Debts

The Council currently applies a standard percentage to each age category of outstanding debt with the exception of the Adults' team who assess each outstanding debt on its merits.

This former approach is not compliant with International Financial Reporting Standards (IFRS) but we are satisfied that the effect of this on the financial statements as a whole would not be material.

A more evidence based approach has been applied to calculating the Bad Debt Provision for sundry debtors since the prior year, and this is now calculated on the basis of age, category of debtor and an assessment of the potential recoverability of invoices. Your provision for the impairment of receivables was £0.6 million in 2014/15 (2013/14 £1.4 million). There is an inherent level of judgement involved in calculating these provisions and you rely on the knowledge of the Departments for information on specific transactions.

We have audited the provision which the Council has put in place and deem the amount to be prudent and materially correct – despite the methodology being non-compliant with the Code. A provision is put in place to account for the possibility that the Council will not receive the cash for any debtors outstanding at year end. Given that bad debt write offs are around £300k per year, and that the Council has reduced the amount of debtors it is holding which are over 1 year old from 13% (£3.2m) to 5% (£1.5m), we do not deem the Council to have under or over-estimated their provision materially.

Segregation of Duties in the accounts payable system

As we have reported to you in previous years, the Council's Accounts Payable module of the general ledger system does not have system enforced segregation of duties.

This control deficiency exposes the Council to a significant fraud risk.

The Council should seek to minimise the number of people who have conflicting responsibilities within its accounts payable and payroll teams or should implement detective controls to identify any conflicting actions undertaken during the year.

Examples of such conflicting responsibilities include the creation of a new supplier and processing of payments to that supplier.

As a result of this audit risk we asked our specialist data team to extract information showing all of the instances in the year where the same individual had changed and approved an alteration to a supplier's details. We noted 24 instances where the same user altered and approved supplier details. Only two users were noted as being involved with this, and the combined value of invoices affected was £276k which is immaterial for our audit.

Accounting issues – Pension Fund

Valuation of Cambridge and Counties bank

In previous years, the Fund has not obtained an external professional valuation of the investment in Cambridge and Counties Bank, but carried this investment at cost, as it was in the early years of trading. This year a valuation was commissioned by the pension Fund from Hymans Robertson, as an external expert.

On our review of the valuation we noted the following:

- The valuation was performed to obtain a value of the investment as at 31 December 2014. This is not the year end date for the Fund's accounts, however we are not aware of any significant changes since then that would affect the valuation. This also correlates with the bank's year end and hence the period for which the Fund has audited financial data on performance and profit.
- The valuation was performed on the value of the bank as a whole, rather that the Pension Fund's proportion. Management have then applied an estimate of 50% of the total value to calculate the Fund's element of this total value. This does not take account of the different shareholdings (equity and preference shares) of the Fund and Trinity College, and therefore misstates the Council's share of the total value. We have estimated the value if this misstatement below and recorded this on our SUM in Appendix 1.
- The valuation report suggested various calculation methods, of which the "PBT multiple" was chosen by the Fund on which to base its accounting value. We accept that the PBT multiple is one of the generally acceptable methods for setting valuation in valuing such organisations.

- The methods presented in the report showed a wide range of values, which at the extremes could materially affect the Fund's assets values in the accounts:

Method	Minimum Value £m	Central Value £m	Maximum Value £m
Investment value	n/a	41.33	n/a
Discounted Cash Flow	10.638	11.192	12.111
Revenue multiple	30.93	44.843	57.754
PBT multiple	34.578	65.199	101.76
Valuation by comparison	0	26.489	68.898
Comparison with recent floatations	37.13	79.897	113.592

- Using a PBT multiple of 9, the valuation report gave a range of values for the whole bank of £34.578m - £101.760m. This range arises from using PBT figures for various time periods – from 2014 actuals to forecast projections PBT up to 2017, discounted to present values. The largest value is based on projected 2017 PBT. We note that the valuations for projected PBT for future years have not used lower PBT multiples to reflect risks inherent in projected results, and hence we would have expected the higher values in this range to have been reduced by the Fund's expert.
- The Fund have taken the lower end of this range to calculate the value in the accounts, being: £34.578m (And then taken 50% of this as their share = £17.289m). The Fund have chosen this end of the range as they believe this to be prudent. Whilst we do not believe prudence is an appropriate reason to select a valuation, as this should be your <u>best</u> estimate of the value, for the reasons set out above we have challenged the appropriateness of the values based on future years' PBT forecasts as these are not risk- adjusted. For this reason we are not inclined to disagree with management's assumption, but the Audit Committee note that this is a significant judgement in the preparation of the Fund's accounts.

We have engaged our internal experts to review the valuation and we have noted the following:

- The valuation methods suggested by Hymans did not include the 'Price to Book' valuation method as an option. We noted in our prior year reporting that this was a common approach. As this was not provided to the Council we have recalculated using this method, and note that this appears not to be materiality inconsistent with the PBT outcome for the Fund this year. This could give a different result in future years however. Using a P/B multiple of 2, based on comparison work performed on other start up banks, this would give an approximate value of £54.2m [(net assets at 31 Dec 14) * 2 = £54.2m]. The total difference in valuation is therefore £19.6m, of which the Council's share would be is below our materiality level. This is however again a key decision in estimation that should be noted by the Audit Committee.

	31/12/2014 P/B multiple using PBT	15/06/2015 P/B multiple using PBT
Shawbrook Bank	-	3.2
One Savings Bank	2.4	3
Aldermole Group	-	2.6
Average	2.4	2.9
Low	2.4	2.6

The above table shows the implied multiples from a small sample of banks. We have deemed an acceptable multiple for the Fund's Bank to be lower than this due to the relative size, diversity, growth prospects, profitability of Cambridge and Counties Bank.

- In order to calculate the £34.578m, the multiple has been applied to the '2014 actual PBT of £3.842m'. We however note that this inconsistent with the PBT reported in the Bank's audited financial statements of £4,092m. If a PBT of £4.092m was taken, and the multiple of 9 applied, then the overall estimate would be £4,092m x 9 = £36.828m. Therefore there is an overall difference of £2.250m in the mathematical calculation. We have been unable to obtain an explanation for this, and hence an adjustment has been proposed to reflect this as part of the adjustment below and in the SUM.

- In order to calculate the PBT value, a multiple of 9 was used. This is a critical figure for the valuation and variances in this could result in a material movement in the estimate. The Hymans report did not provide any evidence to support this figure and therefore we requested that the County approach them to seek this information. As no evidence was provided we have performed our own analysis based on benchmarking to other banks. Through this work, we have noted that a multiple of up to 12 of Profit After Tax (PAT) would appear reasonable to be used. Using this would give a value of £3.216m x 12 =£38,592m.

	31/12/2014 P/E multiple using PAT	15/06/2015 P/E multiple using PAT
Shawbrook Bank	-	21.8
One Savings Bank	14.6	15.3
Aldermole Group	-	20.9
Average	14.6	19.3
Low	14.6	15.3

The above table shows the implied multiples from a small sample of banks. We have deemed an acceptable multiple in this case to be lower than this, due to the size, diversity, growth prospects, profitability of Cambridge and Counties Bank.

- Management have taken a 50% allocation of the valuation to calculate the balance in the accounts, based on the split of ownership of the ordinary shares. We however noted that this doesn't take into account the preference shares that are solely owned by the Fund. As such, a higher proportion of the overall value should have been included within the Fund's accounts. We have therefore proposed an adjustment to take into account the preference share nominal value and unpaid dividend for these, being an estimated increase in the value of circa. £5m. See Appendix 1.

	Total Value of Bank	Funds Proportion
Fund Estimate	**£34,578k,** per Hymans Robertson report	**£17,289k**, being 50% of total value
PwC Revaluation	**£36,828k,** being a multiple of 9 applied to the PBT per Dec 14 accounts	**£22,694k**, being: £36,828k - £8,560k (less preference shares and unpaid dividened at 31 Dec 14) = £28,268k £28,268k x 50% (equity share split) = £14,136k £14,136k + £8,560k = £22,694k
Difference	£2,250k	**£5,405k,** being the proposed adjustment

It is also worth noting that the experts were not available for further questioning of above, as the department ceased to exist in Hymans at the end of June and we were only notified, directly by them, the week before.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. See Appendix 1.

We also bring to your attention the misstatements set out in Appendix 1 to this report which have been corrected by management but which we consider you should be aware of in fulfilling your governance responsibilities.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask management to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered. We have deemed the policies which we have reviewed to be reasonable and in line with the Local Government Code of Practice.

Judgments and accounting estimates

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. The following significant judgements and accounting estimates were used in the preparation of the financial statements for the County:

Pension Liability: A significant estimate in the Statement of Accounts of the Council is in the valuation of net pension liabilities for employees in the pension fund. Your net pension liability at 31 March 2015 was £559 million (2013/14 - £438 million).
We utilised the work of actuarial experts to assess the assumptions applied by the Council and we are comfortable that the assumptions are within an acceptable range.

We validated the data supplied to the actuary on which they base their calculations.

We have sought to confirm the assets held by the pension fund with the custodian as part of that audit. We are able to rely on the assumptions applied by the actuary in determining Cambridgeshire County Council's share as shown in the Council's financial statements.

We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range. This was performed as part of the audit of the Council.

Because of timing issues, each year we identify a difference between the estimated scheme assets used within the actuarial calculation and the actual scheme assets held by the pension fund as at 31 March 2015. In comparing the asset value per the actuary's report to the admitted body's share of the audited pension fund assets, we are comparing two estimates. In effect we are using the estimated percentage share of the audited assets figure to assess the reasonableness of the actuary's estimate. In our view as a firm, and consistent with the prior year, a reasonable threshold for an acceptable difference between the two figures would be +/- 5% of the asset value. As the difference between the actuary's estimate of the total value of the fund and the audited total value of the fund falls within the +/- 5% threshold (0.95% between these two figures which is £7.7m). We have not suggested that the Council adjust for this amount as this is an auditing technique used to assess the reasonableness of the figure used by the actuary in their work.

Guided Busway: The accounting for the Guided Busway asset and legal dispute was resolved in the 2012/13 accounts. However, we understand from management that a number of additional defects have been identified and that a new legal dispute is currently in progress. This has not currently been recognised as an asset or contingent asset due to the early stages of reaching a settlement.

Property, Plant and Equipment -Depreciation and Valuation: You charge depreciation based on an estimate of the Useful Economic Lives for the majority of your Property, Plant and Equipment (PPE). Your total depreciation charge in 2014/15 was £39.0 million (2013/14 £34.7 million). This involves a degree of estimation driven by your estimated useful lives for your assets. You also revalue a proportion of your PPE each year using external experts, in accordance with your accounting policies, to ensure that the carrying value is true and fair. This involves judgement and reliance from your valuers.

Indexation: The Council revalued approximately 20% of its PPE balance as at 1 April 2014. Given that this proportion of the PPE balance is around 1 year out of date, and the remaining 80% of values are over 1 year out of date, an indexation exercise is performed to bring the value of the Council's PPE up to an estimated 31 March 2015 value.

We have compared the indexation amounts used to industry benchmarks and deemed them reasonable.

We have also re-performed management's calculations of the year end asset values for a sample of assets.

The following significant judgements and accounting estimates were used in the preparation of the financial statements for the Pension Fund:

Unquoted investments: As stated above on page 11, this is an area of management judgement informed by the custodian and fund managers.

£324m (representing approximately 15% of the fund) of the pension fund is invested in unquoted investments at year end.

We have obtained fund manager confirmations for these investments and also performed an audited financial statement review to support the reasonableness of the estimated values used.

We will ask you to represent to us that you are satisfied with the assumptions made in arriving at these judgements and estimates in the accounts.

Preparation of the accounts and the audit process

We appreciate how the Councils staff have made time in their days for our audit enquiries, and approached our queries in a helpful and collaborative manner.

The most significant area was the additional accounts and audit work in relation to the AUC restatement as detailed earlier in this report. This resulted in the Council needing to undertake extensive analysis of prior year transactions and this, along with the resulting additional audit work, delayed the signing of the accounts until December.

However, we would note that we encountered the following more minor difficulties during the audit which we believe had a detrimental effect on our ability to complete this audit efficiently.

1. *Accounting records*

We audited areas where the accounting records which the Council maintains were not initially sufficient for us to be able to complete our audit in the most efficient manner. This was particularly an issue when auditing PPE and cash for the Council, and Unquoted Investments for the Pension Fund.

2. *Timeliness of deliverables*

There were several occasions where the length of time between requesting a deliverable or working paper, and actually receiving it was longer than agreed. This meant that our staff had sometimes finished their time on site for the audit by the time the information was available. This was particularly the case when auditing manual journals for both the Council and Pension Fund, as well as in auditing payroll for the Council.

3. *Availability of staff*

During our on-site time, we experienced difficulties getting face to face time with audit contacts throughout the audit. This was mainly relating to those not directly involved in the preparation of the accounts.
If key contacts are not available to assist us throughout the audit this impacts adversely on audit efficiency.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

In addition to the standard representations we will request specific representations in respect of:

- The treatment of the Guided Busway in the accounts in respect of legal costs and impairment of the asset is appropriate;
- Use of the work of (valuation) experts;
- The estimate applied in valuing the investment in the Cambridge and Counties Bank is in line with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15; and
- The ownership, structure and control of LGSS has not changed and accounting for the Council's share remains appropriate.

Related parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We identified the following matters during the course of our work of which we believe the Audit Committee should be aware:

- The list of related parties presented in the draft Council financial statements and Pension Fund accounting statements was not complete.

We have performed additional procedures including review of declarations of interests and expenditure listings to consider whether all material related party transactions are disclosed. Our work did not identify any additional related parties for disclosure within the accounts.

We will ask you to represent to us that the list of Related Parties disclosed in the accounts is complete and accurate.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) "Communication with those charged with governance", UK Ethical Standard 1 (Revised) "Integrity, objectivity and independence" and UK Ethical Standard 5 (Revised) "Non-audit services provided to audited entities" issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers' firms and associated entities ("PwC") and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

Relationships between PwC and the Authority

We are aware of the following relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm's internal policies. The audit is also subject to internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Statement of Accounts, PwC has also undertaken other work for the Council in relation to VAT advice and helpline (Fee £10,000) and Teachers' Pension services (Fee £10,000).

We have considered the nature of the VAT and Teachers' Pension services provided and concluded that they do not pose a threat to independence because:

- Separate personnel are used to deliver the audit and the VAT services identified; and
- Management retains responsibility for making all decisions.

The Council have also asked for work to be undertaken for Regional growth fund. Please note that PwC and the Council have yet to finalise the terms of this engagement. As these are grant audits we do not believe that undertaking these would threaten our independence.

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2015 is included on page 40. In relation to the non-audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management

Rotation

We bring to the attention of the audit committee that the 2014/15 audit will be the final Cambridgeshire County Council audit which PwC perform as part of the current engagement contract.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Executive, senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the Audit Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work.

We found no areas of concern to report in this context, other than requesting the Council revise the AGS to cover the matters arising following the uncovering of the material prior period error in relation to Assets Under Construction.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Public Sector Audit Appointments Limited guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We have completed our work, and intend to issue an unmodified value for money conclusion.

We identified the following significant matters as part of our work.

The Medium Term Financial Strategy (MTFS)

The Council has a material gap between required savings in the next 5 years, and the plans in place and reserves available to bridge this gap. A table demonstrating this has been included below.

	£'m
Cumulative Savings required by 2019/20	**410**
Less: Cumulative "Intended" Savings	(385)*
Add back: Cumulative Savings as yet unidentified	149
Savings "Gap"	**174**
Usable reserves	**84**

*We note that the Councils management believe this figure to be £410m. Our work performed on the MTFS shows the figure as stated at £385m. This variance does not affect our value for money conclusion.

Over the next 5 years the MTFS sets out that the Council expect their cumulative gross budget to be approximately £3,801m. The £410m savings required over this period therefore represents approximately 10.7% of the Council's estimated expenditure over the next 5 years.

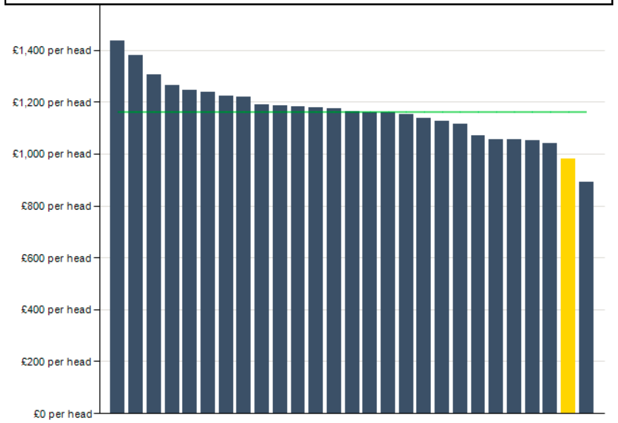
Benchmarked Data

1. *Efficiency compared to other councils*

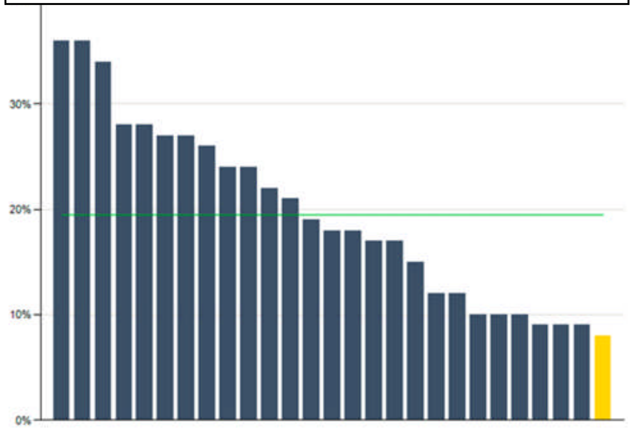
We have benchmarked the relative efficiency of the Council in a number of categories using the PSAA value for money tool.

We note that when compared to other County Councils and other geographically close Councils, Cambridgeshire sits in the lowest 10% of authorities in terms of "Planned net current expenditure per head of population" this means that the available funding per person in Cambridgeshire is lower than 90% of other authorities. We looked into more detail on this metric, and noted that the Council also sits in the bottom 25% for "Planned funding from central government (adjusted) per head of population" (meaning that the amount of funding per person is lower than 75% of the rest of the country) and in the lowest 5% in relation to "Planned total reserves at the end of the year as a percentage of revenue expenditure (adjusted)" – meaning that the level of reserves per person within Cambridgeshire is lower than almost all other County Councils.

Planned net current expenditure per head of population.



Planned total reserves at the end of the year as a percentage of revenue expenditure (adjusted).



The Council sits in the middle third for "Planned total service expenditure (adjusted) per head of population" and in the top third for "Planned revenue expenditure (adjusted) per head of population".

The implications of all this for Cambridgeshire County Council are that effectively, the residents in Cambridgeshire have less money spent on them per head than most other County Councils in England. Despite this, the Council has lower reserves than most other County Councils. This shows the clear financial challenge faced by the Council.

2. *MTFS Assumptions*

The key assumptions included within the MTFS include the following:

- Inflation

	2015/16	2016/17	2017/18	2018/19	2019/20
Inflationary cost increase (£000)	9,655	9,863	8,946	9,344	9,237
Inflationary cost increase (%)	2.0%	2.1%	1.9%	2.0%	2.0%

Relating to inflation, the MTFS shows that the Council expect to encounter costing pressures of around 2% each year. We have compared this to two other similar County Councils, who both used a flat 2% inflation rate across the 3 years of their MTFS's. We therefore consider the assumptions around inflation made in the Cambridgeshire MTFS to be consistent with other councils.

- Demographic

	2015/16	2016/17	2017/18	2018/19	2019/20
Demographic cost increase (£000)	9,596	9,935	10,268	10,316	10,667
Demographic cost increase (%)	2.0%	2.1%	2.2%	2.3%	2.3%

Similarly, demographic pressures within the MTFS are shown to drive cost increases of approximately 2% per annum. We have compared this to two other similar County Councils. As expected, the demographic assumptions across the three vary more than inflation does, as this is driven by local factors. However, the 2.0% to 2.3% figure used by the County sits towards the top end of the ranges we benchmarked to measure demographic pressures. The range from the other two Councils considered show a low of 0% increase to a high of 1.64% - although in both instances, the MTFS only considers the next 3 financial years.

- Funding

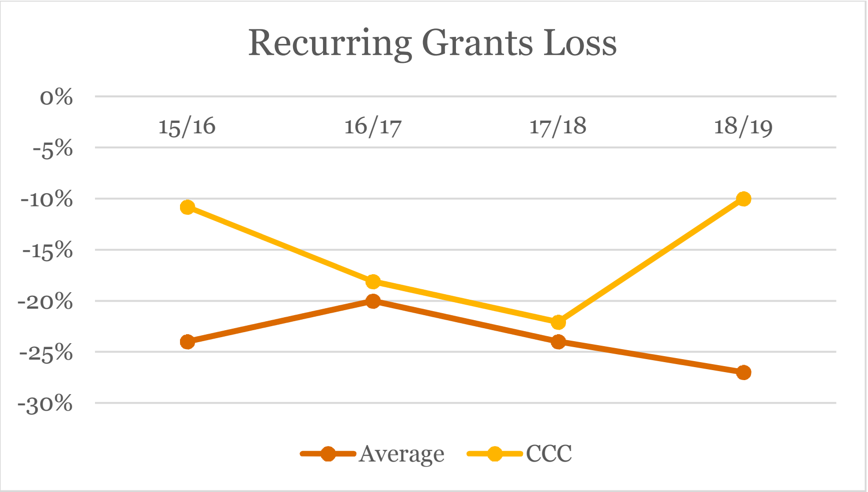
	2015/16	2016/17	2017/18	2018/19	2019/20
Government Grants (£m)	123	111	94	77	70
Business Rates (£m)	59	62	65	67	69
Fees & Charges (£m)	82	85	87	88	90
Council Tax (£m)	244	252	261	270	279
Schools Grants (£m)	260	256	253	250	247
Total Funding (£m)	**768**	**766**	**760**	**752**	**755**

The above table shows that the Council's MTFS indicates that the expectation is that funding will decrease slightly each year, but remain largely consistent with current levels.

We compared the funding decreases to two other County Councils in the South East, and noted that the estimated cuts to funding in those Councils ranged between 2% and 10% in total over the next 3 years. This would indicate that the Cambridgeshire projections might be optimistic on this measure, as these show up to only a 1% reduction in funding over the 5 years. We note that for every £ that this assumption is optimistic because funding levels are lower, the Council will need to find matching additional savings plans to meet the gap.

We note that Cambridgeshire County Council are projecting a fall in recurring government grants over the period. We have shown below the Council's assumptions on future government grants against other councils nationally. As shown, the Council is broadly in line with the consensus except in 2018/19 when the Council appears relatively optimistic.

In its planning, we further note that the Council anticipates that these funding reductions will be offset in partly an anticipated increase in Council Tax income, driven by the population increases in the County.



Past performance in delivering savings targets

We have also looked into how successful the Council has been at delivering against past savings plans. This has involved looking into the success of savings plans for 2013/14, as well as how the Council has delivered in this financial year (2014/15).

Savings plans are written into the budgets for the year. Having reviewed performance against budget for each of the services, we have not noted significant issues regarding the Council's historic achievement against savings plans.

Analysis of savings requirements included within the MTFS

Savings Requirement					
£'000	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Total New Savings Requirement for the Year	**29,797**	**33,277**	**25,366**	**20,798**	**9,709**
2015-16 Ongoing Savings		29,797	29,797	29,797	29,797
2016-17 Ongoing Savings			33,277	33,277	33,277
2017-18 Ongoing Savings				25,366	25,366
2018-19 Ongoing Savings					20,798
Total Savings Requirement for the Year (Including ongoing savings)	**29,797**	**63,074**	**88,440**	**109,238**	**118,947**
Cumulative Savings Requirement	**29,797**	**92,871**	**181,311**	**290,549**	**409,496**

The above table indicates the savings requirements year on year as identified by the Council, as well as ongoing savings required.

The “intended” areas analysed by service can be seen below. Note that this is currently below the requirement above.

Intended Savings Plans					
£'000	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Total New Intended Savings for the Year	**- 27,910**	**- 31,705**	**- 23,017**	**- 20,021**	**- 9,038**
2015-16 Ongoing Savings		- 27,910	- 27,910	- 27,910	- 27,910
2016-17 Ongoing Savings			- 31,705	- 31,705	- 31,705
2017-18 Ongoing Savings				- 23,017	- 23,017
2018-19 Ongoing Savings					- 20,021
Total Intended Savings for the Year (Including ongoing savings)	**- 27,910**	**- 59,615**	**- 82,632**	**- 102,653**	**- 111,691**
Cumulative Intended Savings	**- 27,910**	**- 87,525**	**- 170,157**	**- 272,810**	**- 384,501**

Of the £385m intended savings, we note however that £149m relates to savings which have not been identified in detail. These mainly relate to the final three years considered within the MTFS, with no unidentified savings relating to 2015/16. A summary of unidentified savings per year is as follows.

Unidentified Savings Plans					
£'000	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Total New Unidentified Savings for the Year	**-**	**- 15,889**	**- 12,047**	**- 20,021**	**- 9,038**
2015-16 Ongoing Savings		-	-	-	-
2016-17 Ongoing Savings			- 15,889	- 15,889	- 15,889
2017-18 Ongoing Savings				- 12,047	- 12,047
2018-19 Ongoing Savings					- 20,021
Total Unidentified Savings for the Year (Including ongoing savings)	**-**	**- 15,889**	**- 27,936**	**- 47,957**	**- 56,995**
Cumulative Unidentified Saving	**-**	**- 15,889**	**- 43,825**	**- 91,782**	**- 148,777**

The savings gap the Council faces can thus be seen below -

Savings Gap					
£'000	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Cumulative Savings requirement	29,797	92,781	181,311	290,549	409,496
Cumulative Intended Savings	- 27,910	- 87,525	- 170,157	- 272,810	- 384,501
Gap	**1,887**	**5,256**	**11,154**	**17,739**	**24,995**
Add Cumulative unidentified savings	-	15,889	43,825	91,782	148,777
Total Savings Gap	**1,887**	**21,145**	**54,979**	**109,521**	**173,772**

The Council currently has £84m of usable reserves. Therefore, if none of the savings plans relating to unidentified plans were realised, the gap could be covered by reserves until 2018/19. This gives the Council some time to assess their position and target other areas for savings.

Other considerations

We note that the Council has approximately £79m of loans which can be classified as Lender Option Buyer Option, or LOBO's. These impact on our value for money considerations as, on an annual basis, the Council may have to agree to a higher interest rate, or repay the entire loan amount.

These loans could represent poor value for money if the Council needed to accept high interest rates to obtain necessary funding. For the Council we note that the interest rates currently being imposed on these loans range from 2.8% to 4.0%, which is in line with the Council's non-LOBO loans and hence does not give any cause for concern re value for money.

Conclusion

We have concluded that the Council can cover the necessary savings requirements for the next 3 financial years through the use of reserves, through the successful implementation of planned savings schemes. We would not necessarily expect the Council to have detailed savings plans in place beyond this time period.

However, there is a need for significant savings to be met over the medium term. There is currently no overarching plan to assist the Council in meeting their required cuts.

Our review has shown that the Council are considering the areas which we would expect to make savings at a service level, however it will become more challenging over time for the Council to continue to meet savings targets in this manner.

Compared to other Councils, in our view the Council are behind in implementing a larger, County-wide strategy and transformation plan. A transformation programme which includes integrated savings plans across all services as wholesale changes is likely to be needed to be able to meet the required savings in later years and place the Council in long term financial balance.

Internal controls

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the annual governance statement.

The matters that we wish to bring to your attention are included within the below two tables.

Reporting requirements

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention.

Summary of significant internal control deficiencies

County or Pension	Prior year deficiency?	Deficiency	Recommendation	Management's response
County	No	**Assets under construction projects are not being transferred out of AUC on completion, or written off on a timely basis**	We would recommend that management perform a regular review of the newly created AUC asset register to ensure that any projects which need to be written off or transferred on completion have been posted on a timely basis.	Now that an asset register has been created for Assets Under Construction, this will be reviewed annually as part of the closing of the accounts. All projects included within the asset register (rather than simply those that have experienced in year additions) will be assessed as to whether they have completed and need transferring out of the AUC category.

County	**No**	**The year end review process to remove all non-capitalisable spend from AUC is not functioning effectively.**	This control acts as a back-stop to the above control point, but we would recommend that management ensure that a thorough review is undertaken of the entire AUC listing to ensure that no non-capitalisable spend is held within AUC at year end.	The process for reviewing non-capitalisable spend contained within AUC was reviewed and updated and as such will continue to be implemented moving forward.
County and Pension	**No**	**The Oracle accounting system does not prevent staff from posting and authorising their own journals**	The Council should look to implement an independent review process for any journals posted over a certain value.	Although this is technically correct, authorisation of journals indirectly happens through monthly budgetary control procedures and balance sheet reconciliation i.e. any anomalies would be identified and acted on.
County	**No**	**There is no fixed asset register detailing individual fixed assets held for Infrastructure assets, which ties to the accounts.** **These categories represented a net book value totalling £687m in the Councils account for 2014/15.**	The Council should collate and maintain a listing of all assets to record all asset movements from this point forward. We also recommend that an exercise is undertaken to trace back all older assets which are currently included within the historic PPE balance to ensure that they are correctly categorised, and recognised at the appropriate value, and that they still exist. Relating to infrastructure, the Council are already planning to undertake an exercise such as this due to the CIPFA Code of Practice changes taking effect from 2016/17.	'The Council has undertaken an exercise to identify all assets held within AUC and the values attributed to these assets. Moving forward, the Council will use this as the basis for an AUC asset register and will continue to update it on an asset by asset basis each year. For Infrastructure assets, due to the change in the Code of Practice being implemented in 2016/17, the Council has already worked up an asset register (albeit on a different valuation basis to that which is used currently). Therefore, this issue is already being addressed, but won't be fully implemented until the 2016/17 accounts.'

County and Pension	Yes	A list of related parties is not held and maintained by the Council. Returns from members and councillors are not filled out with a sufficient level of detail and omit information about interests held.	The Council and the Pension Fund should maintain a related parties listing at all times so that the risk of engaging with a related party is mitigated.	The Finance and Pension Fund teams will engage with democratic services/ members/ senior officers during 2015/16 to establish a full listing of interests held by members/ senior officers. This can then be reviewed on a regular basis so that potential Related Parties can be flagged.
County	Yes	Lack of segregation of duties within the accounts payable cycle module in Oracle	The Council should seek to minimise the number of people who have conflicting responsibilities within its accounts payable or should implement detective controls to identify promptly any conflicting actions undertaken during the year. Examples of such conflicting responsibilities include the creation of new suppliers and processing of payments to suppliers.	All work has been completed in line with the attached framework document for access controls. All existing payables/purchasing responsibilities have been reviewed and in scenarios where conflicting responsibilities existed then the responsibilities were updated accordingly. A quarterly report is also being completed to confirm that review users responsibilities are appropriate to individuals roles.
Pension	No	Valuation of the Cambridge and Counties bank was not commissioned to the required standard	We would recommend that the Fund ensure that the valuation which is commissioned for the next financial year includes details from our findings this year (see pages 17 and 18 for details) to ensure that the work undertaken considers all of the relevant assumptions and includes the correct details regarding the Fund's ownership.	Accepted Officers will review the most appropriate method taking into account all feedback.

			We also recommend that sensitivities are performed on assumptions used.	

Summary of other internal control deficiencies

County or Pension	Prior year deficiency?	Deficiency	Recommendation	Management's response
County	**Yes**	**General Ledger to Payroll Reconciliation is not performed at year end**	The Council should ensure that its general ledger and payroll systems are reconciled on at least a monthly basis – this reconciliation should include all payroll general ledger codes, not just those relating to Gross pay and national insurance.	The Council completes reconciliations using a log for each payroll transfer to the General Ledger. The Council does not perform a whole-year reconciliation of Payroll to GL.
County	**No**	**Bank accounts are held in the Council's name which they are not aware of.** **Bank accounts are not held - according to the bank -where the Council believes that they exist** **Bank reconciliations are not performed for all bank accounts held by the Council**	The Council's finance team should take responsibility for the controls surrounding cash and cash management. This will ensure that a comprehensive and up to date listing of accounts held can be maintained, and reconciliations can be performed for all accounts on a monthly basis.	The finance team will liaise with the data management team ahead of the 2015/16 audit, to look into establishing a register of all accounts held, mapped to individual GL account codes
County	**Yes**	**Bad debt provision is not compliant with the Code**	The Council should not make general provisions, but rather specific provisions against specific debts when determining their year end bad debt provision.	The Council has improved and developed the intelligence it applies to its bad debt provision process over the last 12 months. Whilst not technically compliant, it is materially correct and probably more in

				depth than many other authorities currently use. No changes are therefore proposed given the cost/benefit of assessing individual debts.
Pension	**No**	**Late contributions are not monitored and therefore not received on a timely basis**	We would recommend that the Fund begin monitoring the timing of contributions to ensure that they can manage their cash position more effectively	The Fund already monitor's late payment of contributions, which are reported to the Pensions Committee quarterly. However, internal processes are being reviewed in particular in respect on new employers to the Fund and when they become liable for contribution income.
Pension	**No**	**A detailed reconciliation by segregated investments is not performed by the Pension Fund**	We recommend that the Fund regularly reconcile custodian and fund manager returns to ensure any discrepancies are cleared up in advance of year end.	The Fund performs quarterly reconciliations of custodian and fund manager statements and challenges the relevant parties to explain variances in excess of agreed tolerances.
Pension	**No**	**Pension data per ALTAIR is not reconciled to the payroll system.**	We recommend that the Fund perform a reconciliation between the datasets on a monthly basis.	Pensions Service's are undertaking a comprehensive reconciliation of all member pension information. This will:- Accommodate the audit recommendation for a comprehensive payroll reconciliation, Support an ongoing project to transition the pensioners payroll to the existing administration system,

				Deliver the HMRC requirements, in respect of the ending of contracted out. The move to a new payroll system in the Autumn of 2016, linked to the existing administration system, will remove the need for reconciliations of pensioner payroll between two interfaces.
Pension	**No**	**Supporting evidence for manual journals is not maintained as such that is readily available.**	We recommend that the Fund implements and documents a clear process for posting manual journals.	Accepted Officers will review adherence to existing protocols to ensure full compliance of working papers.
Pension	**No**	**The performance fee is not accrued for as at 31 March 2015.**	We recommend that the fund recognises the performance fee on an accruals basis.	It is already normal practice for Officers to accrue Fund Manager fees. The issue relates to a one off oversight, compounded by late notification of the fee by the manager concerned. A review of Fund Manager Fee monitoring will be undertaken with subsequent implementation of process improvements.
Pension	**No**	**General Ledger Codes are not always mapped to the**	We recommend that management perform a review of all general ledger codes at year end to ensure that the	General ledger codes are regularly reviewed for adequacy and integrity of information. Officer's aware of only one

		correct Financial statement line item	accounts correctly reflect the position on the general ledger.	adjustment required in the closedown process.
County	**No**	**Backing documents are not always retained for an appropriate length of time.** **We noted this during our testing over assets under construction where the Council was not able to provide us with some documents which were dated within the year being audited.**	We would recommend that the Council review their document retention process to ensure that documentation is available to support all balances relevant to the financial year being audited.	The Council will review the Scheme of Financial Management and any other related guidance regarding financial regulations to ensure it clearly specifies the requirements regarding backing document retention with respect to capital projects. The guidance will be re-issued to officers, in particular to those outside of the finance team who have responsibility for capital transactions, to ensure that the requirements are understood and will be met going forward.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

From our enquiries and work performed, we have noted one instance of suspected fraud above the £10k threshold which requires us to report an AF70 – this was in relation to an employee raising fictional invoices. However, per our work performed on 30 July 2015 the Council was still awaiting a court date and as such PwC are still unable to submit an AF70. From our discussions with the relevant management personnel and a review of internal audit LCFS register we did not note any other frauds above £10k in year.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Audit Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

Your views on fraud

In our audit plan presented to the Audit Committee in March 2015 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation

Fees update

Fees update for 2014/15

We reported our fee proposals in our plan.

Audit fee	Outturn 2014/15 £	Fee Proposal 2014/15 £	Actual Fees 2013/14 £
Audit work performed under the Code of Audit Practice	125,415	125,415	125,415
- Statement of Accounts			
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Pension Fund	22,410	22,410	22,410
Total Agreed Scale Fee	147,825	147,825	147,825
Additional Audit Work to Respond to Local Risks			
Council (Note 1)	16,000	16,000	13,262
Pension Fund (Note 1)	15,000	15,000	19,553
Scope changes (Note 2)	8,000	-	-
Scope change - AUC (Note 3)	TBC	-	-
Total Audit Code work		**178,825**	**180,640**
Planned non-audit work			
Teachers' Pension grant procedures		10,000	10,000

		2,000
VAT Helpline	3,670	
VAT Advice on Guided Busway	-	8,000
Total fees (audit and non-audit work)	**192,495**	**200,640**

Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance in our annual audit letter.

Note 1:

In line with the Audit Commission's guidance, as part of our audit plan that was presented and approved, the indicative fee was adjusted to reflect the known audit risks and additional work at that time.

Based on our planning work we identified that there are specific risks to the Council and Pension Fund that required additional work to address the local risks. These were approved as part of our audit plan, and we will therefore seek approval for a fee variation from PSAA.

Council

In particular, the financial position of the Council has substantially increased our audit risk and hence our audit work associated with:

- Risk of fraud in management override of controls; and
- Risk of fraud in revenue and expenditure recognition.

The challenging financial position of the Council has also increased the level of work we are required to perform on value for money: the extent of the gap in the Medium Term Plan, with a forecast gap in the Medium Term Plan of £410m over the next 5 years means that have assessed the risk in respect of our value for money work as **significant**. As such we needed to undertake additional risk-based work around the Council's future financial plans and on the extent and robustness of its savings plans.

Our plan also included a significant risk associated with the Fixed Asset Accounting, as in FY14. Given the size and the nature of this balance, the manual input to this accounts area and judgements involved, additional work is required in relation to this balance. This area has also historically seen large adjustments, therefore required increased focus for this Council.

We also noted that there has been a change in the accounting policy for Accounting for Schools. This resulted in prior year adjustments that will required auditing as well as detailed testing and review in relation to the work undertaken by the Council to these changes.

Pension Fund

Our plan identified an elevated risk in relation to the valuation of investments, including the valuation of the bank for the first time. This valuation has being undertaken by external valuers on behalf of the Council. We needed to perform additional work to assess the external valuer's work and assumptions in the current year, including the need to involve our own valuation specialists.

During the year there has also been a change in the custodian. Additional work was therefore required in the current year to understand new processes/procedures and also reviewing their reporting.

Note 2

This increase is relating to the change in our risk level from elevated to significant relating to the valuation of Cambridge and Counties bank investment, and also the extra work required due to issues identified with the evidence to support this valuation.

We received a number of deliverables late, including most significantly our journals data download, which was requested on the 3 June, but not received until the 15 July. Furthermore, we requested payroll reconciliations on 22 July, but the final deliverable received 24 August. Both of these items were included on our initial deliverables schedule which was sent to management in advance of our on site time on 2 March.

Note 3

This fee element is in relation to significant issues encountered whilst auditing PPE. This meant that we had to undertake additional work and involve our internal technical panel of technical experts to resolve the matter from both an accounting and an auditing perspective.
In particular in auditing Assets Under Construction – as noted earlier in this report – which has added approximately 10 weeks to our audit and has required the involvement of a technical panel of experts, as well as heavy engagement leader and engagement manager input to resolve.

An fee for this work will be discussed and agreed with management once the work is completed.

We based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We are able to use, as planned, the work of internal audit;
- We do not review more than 3 iterations of the Statement of Accounts;
- We are able to obtain assurance from your management controls;
- No significant changes being made by the Audit Commission to the local value for money work requirements; and
- Our value for money conclusion and accounts opinion being unqualified.
- The Council perform a full assessment of impact of change in schools' accounting and provide supporting evidence, and we find no material issues.
- No work is required on the figures in relation to roads within WGA needs to be performed

We intend to seek a variation order to the agreed fee, to be discussed and agreed in advance with you and PSAA.

Appendices

Appendix 1: Summary of misstatements

We found the following misstatements during the audit that have not been adjusted by management. You are requested to consider these formally and determine whether you would wish the accounts to be amended. If the misstatements are not adjusted we will need a written representation from you explaining your reasons for not making the adjustments. Our SUM reporting level as agreed with the Audit Committee is £500,000.

COUNCIL

No	Adjusted ?	Description of misstatement (factual, judgemental, projected)		Income statement		Balance sheet	
				Dr	Cr	Dr	Cr
1	Yes	Dr Gain or Loss on Disposal of PPE	F	519,000			
		Cr PPE					519,000
		Being an adjustment to correct the disposals balance for street lighting PFI replacements					
2	Yes	Dr Accounts Receivable	F			113,132	
		Dr Accounts Payable				734,193	
		Cr Cash and Cash equivalents					847,325
		Being an adjustment to reclassify an element of the cash balance to the non-cash asset lines in the balance sheet.					
3	Yes	Dr Grant income	F	1,868,000			
		Cr Other income			1,868,000		
		Being an adjustment the segmental disclosure note for grant income wrongly allocated					
4	Yes	Dr PPE	F			3,401,000	
		Dr Depreciation Expenditure		1,000,000			
		Cr Cash and Cash Equivalents					4,401,000
		Being an adjustment to remove a PFI Waste balance from cash, where it was previously recognised					

5	Yes	Dr PPE	J			7,357,000	
		Cr Reserves			7,357,000		
		Being an adjustment to correct the indexation on Schools which are derecognised as part of change in accounting for schools policy					
6	Yes	Dr PPE (Land and Buildings)	F			3,555,000	
		Dr Reserves (Capital Adjustment account)				127,436,000	
		Dr Reserves (Revaluation reserve)				34,010,000	
		Cr PPE (Assets under Construction)					154,302,000
		Cr PPE (Infrastructure Assets)					10,699,00
		Being the prior period adjustment for errors in AUC balance.					
7	No	Dr PPE (Infrastructure)	J			1,443,000	
		Cr Reserves (Capital Adjustment Account)					1,206,000
		Cr Depreciation Expense			237,000		
		Being an adjustment relating to depreciation which has been overcharged as a result of the AUC adjustment above (Adjustment 6)					
8	No	Dr PPE	F			2,239,000	
		Cr Reserves					2,239,000
		Being the element of adjustment 6 which relates to the current year, and therefore should be posted to 2014/15, not the prior period.					
9	No	Dr Reserves	F			1,681,000	
		Cr PPE					1,681,000
		Being the element of adjustment 6 which relates to the prior year, and therefore should be posted to this 2013/14, not the prior period.					
		Total corrected misstatements		**3,387,000**	**9,225,000**	**176,606,325**	**160,069,325**
		Total uncorrected misstatements		**0**	**237,000**	**5,363,000**	**5,126,000**

In addition we note the following below disclosure changes since the first draft of the accounts.

No	Description of disclosure change	Applied by management in final set of accounts?
1	Accounting policy for PPE was updated to reflect processes for Infrastructure and AUC correctly	Yes
2	Update of the Annual Governance Statement (AGS) to state the fact that there was a prior period error relating to PPE	Yes
3	Inclusion of note 43 to outline the changes made to the accounts as a result of the prior period error relating to AUC.	Yes
4	Several adjustments relating to an immaterial prior period adjustment which was put through the first draft of the accounts. We have requested that this be removed from the final version since it is not a material amount.	Yes
5	We also requested that management make a number of minor changes to the accounts relating to wording preferences, and casting errors we noted. These have also all been updated in the final set of accounts.	Yes

PENSION FUND

No	Adjusted ?	Description of misstatement (factual, judgemental, projected)		Income statement		Balance sheet	
				Dr	**Cr**	**Dr**	**Cr**
1	No	Dr Direct property Investments Cr Change in market value Being an adjustment to increase the value of the investments. Our testing of property investments back to independently obtained price data identified that the total value of property investments was understated.	F		£702,006	£702,006	

2	No	Dr Direct property investments Cr Change in market value Being an adjustment to increase the value of the investments. Our testing of property investments back to independently obtained price data identified that the total value of property investments was understated.	P		£1,723,786	£1,723,786	
3	No	Dr Private Equity investments Cr Change in Market value Being an adjustment to increase the value of the investments. Our testing of Private Equity back to independently obtained price data identified that the total value of Private Equity was understated.	P		£838,877	£838,877	
4	No	Dr Investments Cr Equity Being an adjustment to increase the value of the Cambridgeshire and Counties bank investment based on work performed over the independent valuers report.	J			5,405,000	5,405,000
		Total uncorrected misstatements		**0**	**2,425,792**	**7,830,792**	**5,405,000**

In addition we note the following below disclosure changes since the first draft of the accounts.

No	Description of disclosure change	Applied by management in final set of accounts?
1	Only minor disclosure changes to the accounts relating to wording, references, and casting errors we noted. These have also all been updated in the final set of accounts.	Yes

Appendix 2: Letter of representation

PricewaterhouseCoopers LLP
10 Bricket Road,
St. Albans,
Hertfordshire,
AL1 3JX

Dear Sirs

Representation letter – audit of Cambridgeshire County Council's (the Authority) Statement of Accounts for the year ended 31 March 2015

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2015 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Chief Financial Officer for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of Accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the

Service Reporting Code of Practice 2014/15; in particular the Statement of Accounts give a true and fair view in accordance therewith.

- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.

- Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

- All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the Statement of Accounts as a whole. A list of the uncorrected misstatements, grouped by category, is attached to this report above.

- The restatement made to correct a material misstatement in the prior period Statement of Accounts that affects the comparative information has been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Information Provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the authority's auditors, are aware of that information.

- I have provided you with:

    - access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
    - additional information that you have requested from us for the purpose of the audit; and
    - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

- So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the Statement of Accounts.
- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the Statement of Accounts.

Other than those already communicated to you, I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that the attached schedule to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

All significant retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

Mortality assumptions:	
Longevity at 65 for current pensioners:	
- Men	22.5
- Women	24.5
Longevity at 65 for future pensioners:	
- Men	24.4
- Women	26.9
Rate of inflation	2.4%
Rate of increase in salaries	4.3%
Rate of increase in pensions	2.4%
Rate for discounting scheme liabilities	3.2%

The authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I confirm that the authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken for the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2015, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2015 have been properly valued and that valuation incorporated into the Statement of Accounts.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the Statement of Accounts have been disclosed to you.

There are no restrictions on the marketability of investments other than those already disclosed in the Statement of Accounts.

Pension fund registered status

I confirm that the Cambridgeshire Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

Cambridge and Counties Bank Investment

Regarding the Cambridge and Counties Bank Investment, an accounting estimate that was recognised in the Statement of Accounts with regard to valuation of this investment:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the authority, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the Statement of Accounts.
- There have been no changes to overall control of Cambridge and Counties Bank.

Guided Busway

Regarding the Cambridge Guided Busway:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

LGSS

There have been no changes to the ownership, structure and control of LGSS and I am satisfied that accounting for the authority's share remains appropriate and in line with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Provisions

- Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the statement of accounts and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

- Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the statement of accounts.

Using the work of experts

I agree with the findings of Hymans Roberson, experts in determining the value of Cambridge and Counties bank investment and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Statement of Accounts.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the Statement of Accounts.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the statement of accounts. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the Statement of Accounts.

Financial Instruments

All embedded derivatives have been identified and appropriately accounted for under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Where hedging relationships have been designated as either firm commitments or highly probable forecast transactions, I confirm that our plans and intentions are such that these relationships qualify as genuine hedge arrangements.

Where fair values have been assigned to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

Disclosures

I confirm that the Authority has recorded or disclosed, as appropriate, all formal or informal arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.

I confirm that the Authority has recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and has disclosed in the statement of accounts all guarantees that we have given to third parties, including oral guarantees made by the Authority on behalf of an affiliate, member, officer or any other third party.

Transactions with members/officers

No transactions involving members, officers and others requiring disclosure in the Statement of Accounts under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 have been entered into.

As minuted by the Audit and Accounts Committee at its meeting on 11 December 2015.

………………………………….

Chief Financial Officer

For and on behalf of

Date …………………..

Schedule 1 - Related parties and related party transactions

LGSS with Northamptonshire County Council
Cambridgeshire Pension Fund
Cambridge and Counties Bank
Trinity Hall College

130610-142627-JA-UK

<u>Agenda Item: 6</u>

Annual Audit Letter 2014-15

Attached is the External Auditor's Pwc's final Annual Audit Letter to the Committee. This is a summary of key points from their ISA260 and is the final piece of reporting for the year. This report has been discussed and agreed with management, and the content is consistent with the ISA260.

There is nothing to highlight to Committee that has not been previously communicated, with the exception of values for the scope changes in the fee section that have been agreed with management.

PWC have provided the attached for the committee to note, there are no actions for the committee to take.

Please note, PWC will not be attending the Chairman's briefing or the Committee itself.

Cambridgeshire County Council

Annual Audit Letter

2014/15

Government and
Public Sector

January 2016

pwc

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Contents

An audit is not designed to identify all matters that may be relevant to those charged with governance. Our audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2014/15 audit work of both the Council and the Pension Fund.

We have already reported the detailed findings from our audit work to the Audit Committee in the following reports:

- Audit opinion for the 2014/15 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- Report to those charged with Governance (ISA (UK&I) 260);

The matters reported here are the most significant for the Authority.

Scope of Work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As an administering Authority of a pension fund, the Authority is also responsible for preparing and publishing Accounting Statements for the Cambridgeshire Pension Fund.

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2015, as updated for the matters reported in our ISA260 report, and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Audit Responsibility	Results
Perform an audit of the accounts and pension fund accounting statements in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)).	We reported our findings to those charged with governance in September 2015 in our 2014/15 Report to those charged with governance (ISA (UK&I) 260), which was subsequently updated and issued as final for the approval of the accounts on 11 December 2015. On 15 December 2015 we issued an unqualified audit opinion on the statement of accounts and the pension fund accounting statements.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported to the National Audit Office on 15 December 2015 that the consolidation return was consistent with the audited statement of accounts.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	We issued an unqualified conclusion on the Authority's Use of Resources on 15 December 2015.

Audit Responsibility	Results
Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	There were no issues to report in this regard in respect of the final statement
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	There were no issues to report in this regard
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	There were no issues to report in this regard

Audit Responsibility	Results
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	We issued a certificate on 15 December 2015
Issue a report noting whether or not the pension fund financial statements in the pension fund annual report and accounts are consistent with those in the authority's statement of accounts.	On 15 December 2015 we issued an unqualified audit opinion on the statement of accounts and the pension fund accounting statements.

Audit findings for both the County Council audit and the Pension Fund audit have been included in this section

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 15 December 2015.

We noted significant issues arising from our audit within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was issued to the Audit Committee on 11 December 2015. We wish to draw the following points, included in that report, to your attention in this letter.

Accounting issues - County

Prior Period Adjustments

We noted a number of proposed and actual prior period adjustments during our audit work, some of which were proposed by management. These are detailed as 1-4 below.

1. The most significant of these was in relation to a prior period error within Assets Under Construction (AUC). This resulted in a net reduction in the AUC balance of £154m. Please see details as a separate accounting issue below.

2. As part of the changes to the CIPFA Code of Practice, the Council was required to make prior period adjustments to correctly recognise its PPE balance – specifically relating to schools as detailed below.

3. The Council also initially included two other prior period adjustments. One related to the disclosure of Public Health income and expenditure. We agreed that this change should be accepted to ensure consistency year on year, but our view was that this represented a reclassification of balances, rather than a prior period restatement. The bottom line figure did not change as a result of this. This was therefore amended in the final accounts.

4. The other adjustment related to the correction of a prior period fund balance. The effects of this were immaterial, so we asked the Council to reverse this prior period adjustment. The year end position remains correct. This was therefore amended in the final accounts.

Valuation and Existence of PPE

The Council does not maintain a fixed asset register for Infrastructure assets or Assets Under Construction. We have previously reported this as a control weakness to the Council in our reports in prior years.

The combined net book value of all such assets held on the Council's draft balance sheet in respect of these balances was £887m (AUC: £189m, Infrastructure: £698m).

As a fixed asset register does not exist, we were required to perform additional procedures on our audit as detailed below.

Assets Under Construction (AUC):

AUC typically represents projects underway to build infrastructure assets and on buildings. Upon completion of any project, we would expect transfers from Assets Under Construction to these categories of PPE, or for costs to be written off if the assets concerned are not held within the Council's PPE (such as REFCUS spend).

The Balance Sheet in the draft accounts for 2014/15 published on 30 June 2015 included Assets Under

Construction (AUC) as at 31 March 2015 of £189.1m. As there was no supporting asset register we challenged management to produce an analysis supporting this value.

The resulting review by the Council identified that the AUC balance as at the year end was materially lower than that presented in the draft accounts, and consequently management undertook a comprehensive exercise to understand the various elements in the £189.1m. This involved analysing movements by AUC project going back to 2006/07 – a significant and time-consuming process to prepare and audit that resulted in the late finalisation of the accounts, and incurred significant additional time to audit.

Following this review by management the AUC balance at 31 March 2015 was demonstrated to total £36.3m. The majority of the difference related to a prior period error in recording transactions occurring between 2006/07 and 2012/13 and has therefore been accounted for as a prior period adjustment.

The Council has adjusted for this error – which is set out in detail in a newly-created Note 43 to the accounts.

From the work we and the Council have undertaken this error relates to a technical accounting issue, no evidence has been identified to suggest there is any material physical loss or failure to safeguard the Council's assets.

The £154m has been adjusted to four different areas as set out in Note 43 of the final accounts. Simplistically however, this can be represented as follows:

Adjustment	£'m
Land and buildings	4
Infrastructure assets	(11)
Revaluation reserve (Unusable Reserves)	34
Capital Adjustment account (Unusable Reserves)	127

An analysis of the net error within AUC by accounting periods is provided in the following table:

	2014/15 Amount £'000	2013/14 Amount £'000	Pre 2013/14 Amount £'000	Total £'000
Error value within AUC	2,239	(1,681)	(154,890)	**(154,332)**

As the amounts relating to 2014/15 and 2013/14 are immaterial, the Council have included these within the Prior Period Adjustment for AUC recorded within the financial statements, rather than adjusting the figures for each of those years. We have therefore included this within our Summary of Uncorrected Misstatements in Appendix 1.

There are then other consequential adjustments for accumulated depreciation. The total impact on Property, Plant and Equipment (PPE) for the adjustment is therefore to reduce the value of the Council's PPE and Unusable reserves at 1 April 2013 as shown overleaf:

These adjustments do not affect the Usable Reserves figure disclosed in the prior years' financial statements. This is of significance as it is the Usable reserves in particular that impact on the Council's decisions on Council tax levels.

	Cost or Valuation £000	Accumulated depreciation £000	Net impact £000
Increase /(Reduction) in AUC	(154,332)		(154,332)
Increase /(Reduction) in Land & Buildings	4,280	(725)	3,556
Increase /(Reduction) in Infrastructure	(10,669)		(10,669)
TOTAL INCREASE/ (REDUCTION)	**(160,631)**	**(725)**	**(161,445)**

We have performed audit procedures as follows over each adjustment category, and the £35m remaining in AUC, to ensure that the accounts are not materially misstated.

1. Obtaining detailed listings for a sample of 64 projects and agreeing this to the AUC Analysis working paper;
2. Selecting a single cost line from each project breakdown, in order to obtain evidence for the value included in that project;
3. Ensuring that the project has been allocated to the correct adjustment category in the table above; and
4. Ensuring that the proposed double entry for each adjustment category is correct.

On completion of our work, which found no material exceptions from management's analysis, we agreed with the Council the appropriate disclosures in the accounts and Annual Governance Statement for this matter. The accounts were then signed by the Council and by pwc in December 2015.

We have raised a significant control deficiency in respect of this matter.

Infrastructure:

Infrastructure assets include items such as bridges, pavements, streetlights and signs.

The current accounting policy for this asset category is to capitalise infrastructure assets at cost.

Depreciation is charged annually, but is not allocated to specific assets. 1/40th of the closing book value at year end is taken as the depreciation for the year. This represents the Council's best estimate of the average life of such assets, but we note this is not based on actual experience or set separately for each category of assets (unlike other PPE assets where componentisation is applied). This depreciation rate therefore represents an estimate for the Council in its accounts.

The Council does not maintain a fixed asset register for their Infrastructure assets balance, which means that it is not possible to agree the book value back to individual assets acquired. Assets within this category have been capitalised over many years, indeed decades, with relatively few large recent additions such as the PFI street lighting and busway. The Council has also been unable to identify alternative records to support the majority of this balance.

This means that the Council has a significant weakness in its controls around this category of PPE, as costs and values cannot be linked to the remaining underlying assets.

We have therefore faced practical issues in obtaining adequate audit evidence to support the ongoing existence of the majority of this balance in the accounts. We therefore considered the need for us to qualify the accounts on the grounds that this balance could not readily be supported. To ensure we considered the Council's position in line with all other councils, we consulted internally with our technical panel on this issue. We concluded that we did not need to qualify, due to the nature of the assets, the alternative evidence we could obtain from past audit work, and indirect evidence such as from Council minutes.

This was however subject to some amendments to clarify the Council's accounting policies in this area to make the position clearer to readers of the accounts, which have been adjusted in the final accounts. We have however flagged this as an area of significant control weakness, not least as weaknesses in asset existence controls can increase fraud risk.

We note that the accounting treatment for this asset category is changing as at the start of 2016/17, and the Council should seek to improve these controls as part of the implementation of that change.

Schools Accounting

As part of a LAAP Bulletin update affecting all Councils holding schools assets on their balance sheet, the Council were required to remove the PPE for the majority of voluntary controlled schools valued at £79m from the balance sheet, and bring on the PPE of foundation schools, valued at £75m. This gave a net effect of £4m.

We identified as part of our audit plan that the changes around schools accounting would have a material effect on the financial statements this year.

We have performed work over the PPE adjustments made by the Council to remove the appropriate voluntary controlled schools from the balance sheet and to bring the appropriate foundation schools back onto the balance sheet.

Our testing did not reveal any errors in the calculation.

We also assessed the completeness and accuracy of the balances which were adjusted in the prior year comparatives, as required by Auditing Standards. Again, no issues were noted from this work performed.

Cash

The Council's cash balance is made up of hundreds of different bank accounts held with several different banks. Many of these bank accounts are used by separate entities which are consolidated into the Councils accounts (for example schools' bank accounts).

The Council does not oversee the controls around monthly bank reconciliations, or the relationships with the banks.

We have therefore encountered issues in auditing the cash balances as,

- reconciliations have not always been performed;
- confirmations have not all been received for accounts the Council believes exist; and
- confirmations have been received for bank accounts that the Council is unaware of.

With the assistance of management, we have been able to reconcile the accounts for which we did not receive a confirmation to the accounts which were included on the GL without a confirmation.

We believe that the lack of internal controls around cash indicate an internal control deficiency.

Reconciliation of Payroll records to the General Ledger

As part of our testing of the payroll expenses included in the Council's Comprehensive Income and Expenditure Statement (CIES), we are required to audit a reconciliation between the Council's general ledger and the amounts paid through on a monthly basis to Council staff.

We recommended in the prior year that the Council should ensure that these reconciliations are happening on a monthly basis. Whilst a reconciliation is now performed by the

Council's Payroll department, this does not include all payroll costs recorded by the Council on its general ledger.

At our request the Councils' Corporate Finance department has now been able to provide us with a reconciliation of all payroll costs on the general ledger to all amounts paid through the monthly payroll runs.

Related Parties

We identified the following matters during the course of our work of which we believe the Audit Committee should be aware:

- The list of related parties presented in the draft Council financial statements and Pension Fund accounting statements was not complete.

We have performed additional procedures including review of declarations of interests and expenditure listings to consider whether all material related party transactions are disclosed. Our work did not identify any additional related parties for disclosure within the accounts

Provision for Doubtful Debts

The Council currently applies a standard percentage to each age category of outstanding debt with the exception of the Adults' team who assess each outstanding debt on its merits.

This former approach is not compliant with International Financial Reporting Standards (IFRS) but we are satisfied that the effect of this on the financial statements as a whole would not be material.

A more evidence based approach has been applied to calculating the Bad Debt Provision for sundry debtors since the prior year, and this is now calculated on the basis of age, category of debtor and an assessment of the potential recoverability of invoices. Your provision for the impairment of receivables was £0.6 million in 2014/15 (2013/14 £1.4 million). There is an inherent level of judgement involved in calculating these provisions and you rely on the knowledge of the Departments for information on specific transactions.

We have audited the provision which the Council has put in place and deem the amount to be prudent and materially correct – despite the methodology being non-compliant with the Code. A provision is put in place to account for the possibility that the Council will not receive the cash for any debtors outstanding at year end. Given that bad debt write offs are around £300k per year, and that the Council has reduced the amount of debtors it is holding which are over 1 year old from 13% (£3.2m) to 5% (£1.5m), we do not deem the Council to have under or over-estimated their provision materially.

Segregation of Duties in the accounts payable system

As we have reported to you in previous years, the Council's Accounts Payable module of the general ledger system does not have system enforced segregation of duties.

This control deficiency exposes the Council to a significant fraud risk.

The Council should seek to minimise the number of people who have conflicting responsibilities within its accounts payable and payroll teams or should implement detective controls to identify any conflicting actions undertaken during the year.

Examples of such conflicting responsibilities include the creation of a new supplier and processing of payments to that supplier.

As a result of this audit risk we asked our specialist data team to extract information showing all of the instances in the year where the same individual had changed and approved an alteration to a supplier's details. We noted 24 instances where the same user altered and approved supplier details. Only two users were noted as being involved with this, and the combined value of invoices affected was £276k which is immaterial for our audit.

Accounting issues – Pension Fund

Valuation of Cambridge and Counties bank

In previous years, the Fund has not obtained an external professional valuation of the investment in Cambridge and Counties Bank, but carried this investment at cost, as it was in the early years of trading. This year a valuation was commissioned by the pension Fund from Hymans Robertson, as an external expert.

On our review of the valuation we noted the following:

- The valuation was performed to obtain a value of the investment as at 31 December 2014. This is not the year end date for the Fund's accounts, however we are not aware of any significant changes since then that would affect the valuation. This also correlates with the bank's year end and hence the period for which the Fund has audited financial data on performance and profit.
- The valuation was performed on the value of the bank as a whole, rather that the Pension Fund's proportion. Management have then applied an estimate of 50% of the total value to calculate the Fund's element of this total value. This does not take account of the different shareholdings (equity and preference shares) of the Fund and Trinity College, and therefore misstates the Council's share of the total value. We have estimated the value if this misstatement below and recorded this on our SUM in Appendix 1.
- The valuation report suggested various calculation methods, of which the "PBT multiple" was chosen by the Fund on which to base its accounting value. We accept that the PBT multiple is one of the generally acceptable methods for setting valuation in valuing such organisations.
- The methods presented in the report showed a wide range of values, which at the extremes could materially affect the Fund's assets values in the accounts:

Method	Minimum Value £m	Central Value £m	Maximum Value £m
Investment value	n/a	41.33	n/a
Discounted Cash Flow	10.638	11.192	12.111
Revenue multiple	30.93	44.843	57.754
PBT multiple	34.578	65.199	101.76
Valuation by comparison	0	26.489	68.898
Comparison with recent floatations	37.13	79.897	113.592

- Using a PBT multiple of 9, the valuation report gave a range of values for the whole bank of £34.578m - £101.760m. This range arises from using PBT figures for various time periods – from 2014 actuals to forecast projections PBT up to 2017, discounted to present values. The largest value is based on projected 2017 PBT. We note that the valuations for projected PBT for future years have not used lower PBT multiples to reflect risks inherent in projected results, and hence we would have expected the higher values in this range to have been reduced by the Fund's expert.
- The Fund have taken the lower end of this range to calculate the value in the accounts, being: £34.578m (And then taken 50% of this as their share = £17.289m). The Fund have chosen this end of the range as they believe this to be prudent. Whilst we do not believe prudence is an appropriate reason to select a valuation, as this should be your <u>best</u> estimate of the value, for the reasons set out above we have challenged the appropriateness of the values based on future years' PBT forecasts as these are not risk- adjusted. For this reason we are not inclined to disagree with management's assumption, but the Audit Committee note that this is a significant judgement in the preparation of the Fund's accounts.

We have engaged our internal experts to review the valuation and we have noted the following:

- The valuation methods suggested by Hymans did not include the 'Price to Book' valuation method as an option. We noted in our prior year reporting that this was a common approach. As this was not provided to the Council we have recalculated using this method, and note that this appears not to be materiality inconsistent with the PBT outcome for the Fund this year. This could give a different result in future years however. Using a P/B multiple of 2, based on comparison work performed on other start up banks, this would give an approximate value of £54.2m [(net assets at 31 Dec 14) * 2 = £54.2m]. The total difference in valuation is therefore £19.6m, of which the Council's share would be is below our materiality level. This is however again a key decision in estimation that should be noted by the Audit Committee.

	31/12/2014 P/B multiple using PBT	15/06/2015 P/B multiple using PBT
Shawbrook Bank	-	3.2
One Savings Bank	2.4	3
Aldermole Group	-	2.6
Average	2.4	2.9
Low	2.4	2.6

The above table shows the implied multiples from a small sample of banks. We have deemed an acceptable multiple for the Fund's Bank to be lower than this due to the relative size, diversity, growth prospects, profitability of Cambridge and Counties Bank.

- In order to calculate the £34.578m, the multiple has been applied to the '2014 actual PBT of £3.842m'. We however note that this inconsistent with the PBT reported in the Bank's audited financial statements of £4,092m. If a PBT of £4.092m was taken, and the multiple of 9 applied, then the overall estimate would be £4,092m x 9 = £36.828m. Therefore there is an overall difference of £2.250m in the mathematical calculation. We have been unable to obtain an explanation for this, and hence an adjustment has been proposed to reflect this as part of the adjustment below and in the SUM.

- In order to calculate the PBT value, a multiple of 9 was used. This is a critical figure for the valuation and variances in this could result in a material movement in the estimate. The Hymans report did not provide any evidence to support this figure and therefore we requested that the County approach them to seek this information. As no evidence was provided we have performed our own analysis based on benchmarking to other banks. Through this work, we have noted that a multiple of up to 12 of Profit After Tax (PAT) would appear reasonable to be used. Using this would give a value of £3.216m x 12 =£38,592m.

	31/12/2014 P/E multiple using PAT	15/06/2015 P/E multiple using PAT
Shawbrook Bank	-	21.8
One Savings Bank	14.6	15.3
Aldermole Group	-	20.9
Average	14.6	19.3
Low	14.6	15.3

The above table shows the implied multiples from a small sample of banks. We have deemed an acceptable multiple in this case to be lower than this, due to the size, diversity, growth prospects, profitability of Cambridge and Counties Bank.

- Management have taken a 50% allocation of the valuation to calculate the balance in the accounts, based on the split of ownership of the ordinary shares. We however noted that this doesn't take into account the preference shares that are solely owned by the Fund. As such, a higher proportion of the overall value should have been included within the Fund's accounts. We have therefore proposed an adjustment to take into account the preference share nominal value and unpaid dividend for these, being an estimated increase in the value of circa. £5m. See Appendix 1.

	Total Value of Bank	Funds Proportion
Fund Estimate	**£34,578k,** per Hymans Robertson report	**£17,289k**, being 50% of total value
PwC Revaluation	**£36,828k,** being a multiple of 9 applied to the PBT per Dec 14 accounts	**£22,694k**, being: £36,828k - £8,560k (less preference shares and unpaid dividened at 31 Dec 14) = £28,268k £28,268k x 50% (equity share split) = £14,136k £14,136k + £8,560k = £22,694k
Difference	£2,250k	**£5,405k,** being the proposed adjustment

It is also worth noting that the experts were not available for further questioning of above, as the department ceased to exist in Hymans at the end of June and we were only notified, directly by them, the week before.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2014/15, proper arrangements to secure economy, efficiency and effectiveness in your use of the Authority's resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- that the organisation has proper arrangements in place for securing financial resilience; and
- that the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment. Key elements of this assessment are summarised below.
We issued an unqualified conclusion on the ability of the organisation to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Medium Term Financial Strategy (MTFS)

The Council has a material gap between required savings in the next 5 years, and the plans in place and reserves available to bridge this gap. A table demonstrating this has been included below.

	£'m
Cumulative Savings required by 2019/20	**410**
Less: Cumulative "Intended" Savings	(385)*
Add back: Cumulative Savings as yet unidentified	149
Savings "Gap"	**174**
Usable reserves	**84**

*We note that the Councils management believe this figure to be £410m. Our work performed on the MTFS shows the figure as stated at £385m. This variance does not affect our value for money conclusion.

Over the next 5 years the MTFS sets out that the Council expect their cumulative gross budget to be approximately £3,801m. The £410m savings required over this period therefore represents approximately 10.7% of the Council's estimated expenditure over the next 5 years.

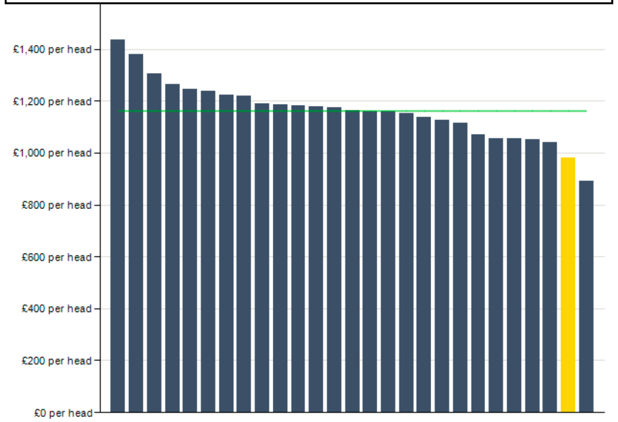
Benchmarked Data

1. *Efficiency compared to other councils*

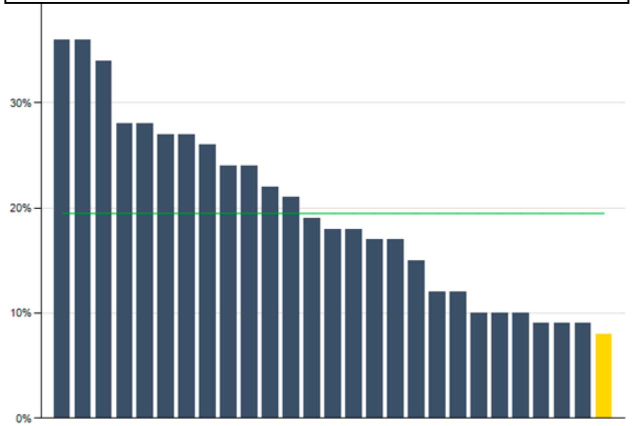
We have benchmarked the relative efficiency of the Council in a number of categories using the PSAA value for money tool.

We note that when compared to other County Councils and other geographically close Councils, Cambridgeshire sits in the lowest 10% of authorities in terms of “Planned net current expenditure per head of population” this means that the available funding per person in Cambridgeshire is lower than 90% of other authorities. We looked into more detail on this metric, and noted that the Council also sits in the bottom 25% for “Planned funding from central government (adjusted) per head of population” (meaning that the amount of funding per person is lower than 75% of the rest of the country) and in the lowest 5% in relation to “Planned total reserves at the end of the year as a percentage of revenue expenditure (adjusted)” – meaning that the level of reserves per person within Cambridgeshire is lower than almost all other County Councils.

Planned net current expenditure per head of population.



Planned total reserves at the end of the year as a percentage of revenue expenditure (adjusted).



The Council sits in the middle third for “Planned total service expenditure (adjusted) per head of population” and in the top third for “Planned revenue expenditure (adjusted) per head of population”.

The implications of all this for Cambridgeshire County Council are that effectively, the residents in Cambridgeshire have less money spent on them per head than most other County Councils in England. Despite this, the Council has lower reserves than most other County Councils. This shows the clear financial challenge faced by the Council.

2. *MTFS Assumptions*

The key assumptions included within the MTFS include the following:

- Inflation

	2015/16	2016/17	2017/18	2018/19	2019/20
Inflationary cost increase (£000)	9,655	9,863	8,946	9,344	9,237
Inflationary cost increase (%)	2.0%	2.1%	1.9%	2.0%	2.0%

Relating to inflation, the MTFS shows that the Council expect to encounter costing pressures of around 2% each year. We have compared this to two other similar County Councils, who both used a flat 2% inflation rate across the 3 years of their MTFS's. We therefore consider the assumptions around inflation made in the Cambridgeshire MTFS to be consistent with other councils.

- Demographic

	2015/16	2016/17	2017/18	2018/19	2019/20
Demographic cost increase (£000)	9,596	9,935	10,268	10,316	10,667
Demographic cost increase (%)	2.0%	2.1%	2.2%	2.3%	2.3%

Similarly, demographic pressures within the MTFS are shown to drive cost increases of approximately 2% per annum. We have compared this to two other similar County Councils. As expected, the demographic assumptions across the three vary more than inflation does, as this is driven by local factors. However, the 2.0% to 2.3% figure used by the County sits towards the top end of the ranges we benchmarked to measure demographic pressures. The range from the other two Councils considered show a low of 0% increase to a high of 1.64% - although in both instances, the MTFS only considers the next 3 financial years.

- Funding

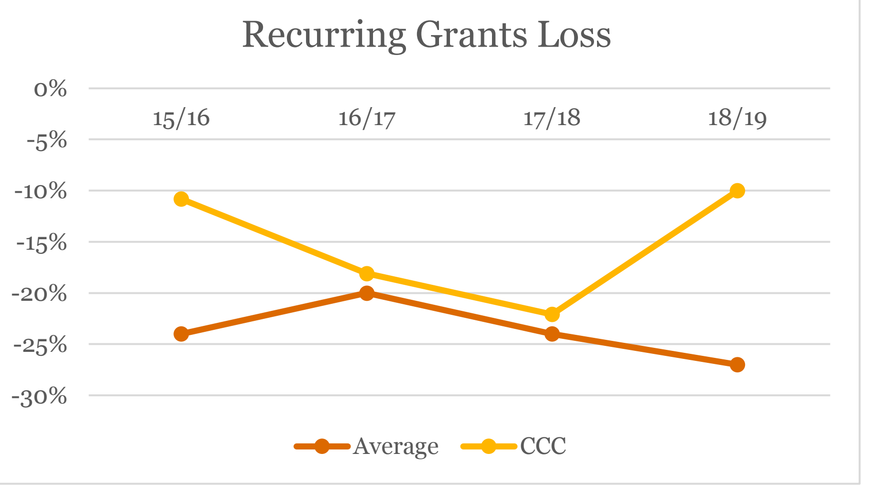
	2015/16	2016/17	2017/18	2018/19	2019/20
Government Grants (£m)	123	111	94	77	70
Business Rates (£m)	59	62	65	67	69
Fees & Charges (£m)	82	85	87	88	90
Council Tax (£m)	244	252	261	270	279
Schools Grants (£m)	260	256	253	250	247
Total Funding (£m)	**768**	**766**	**760**	**752**	**755**

The above table shows that the Council's MTFS indicates that the expectation is that funding will decrease slightly each year, but remain largely consistent with current levels.

We compared the funding decreases to two other County Councils in the South East, and noted that the estimated cuts to funding in those Councils ranged between 2% and 10% in total over the next 3 years. This would indicate that the Cambridgeshire projections might be optimistic on this measure, as these show up to only a 1% reduction in funding over the 5 years. We note that for every £ that this assumption is optimistic because funding levels are lower, the Council will need to find matching additional savings plans to meet the gap.

We note that Cambridgeshire County Council are projecting a fall in recurring government grants over the period. We have shown below the Council's assumptions on future government grants against other councils nationally. As shown, the Council is broadly in line with the consensus except in 2018/19 when the Council appears relatively optimistic.

In its planning, we further note that the Council anticipates that these funding reductions will be offset in partly an anticipated increase in Council Tax income, driven by the population increases in the County.



Past performance in delivering savings targets

We have also looked into how successful the Council has been at delivering against past savings plans. This has involved looking into the success of savings plans for 2013/14, as well as how the Council has delivered in this financial year (2014/15).

Savings plans are written into the budgets for the year. Having reviewed performance against budget for each of the services, we have not noted significant issues regarding the Council's historic achievement against savings plans.

Analysis of savings requirements included within the MTFS

Savings Requirement					
£'000	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Total New Savings Requirement for the Year	**29,797**	**33,277**	**25,366**	**20,798**	**9,709**
2015-16 Ongoing Savings		29,797	29,797	29,797	29,797
2016-17 Ongoing Savings			33,277	33,277	33,277
2017-18 Ongoing Savings				25,366	25,366
2018-19 Ongoing Savings					20,798
Total Savings Requirement for the Year (Including ongoing savings)	**29,797**	**63,074**	**88,440**	**109,238**	**118,947**
Cumulative Savings Requirement	**29,797**	**92,871**	**181,311**	**290,549**	**409,496**

The above table indicates the savings requirements year on year as identified by the Council, as well as ongoing savings required.

The "intended" areas analysed by service can be seen below. Note that this is currently below the requirement above.

Intended Savings Plans					
£'000	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Total New Intended Savings for the Year	**- 27,910**	**- 31,705**	**- 23,017**	**- 20,021**	**- 9,038**
2015-16 Ongoing Savings		- 27,910	- 27,910	- 27,910	- 27,910
2016-17 Ongoing Savings			- 31,705	- 31,705	- 31,705
2017-18 Ongoing Savings				- 23,017	- 23,017
2018-19 Ongoing Savings					- 20,021
Total Intended Savings for the Year (Including ongoing savings)	**- 27,910**	**- 59,615**	**- 82,632**	**- 102,653**	**- 111,691**
Cumulative Intended Savings	**- 27,910**	**- 87,525**	**- 170,157**	**- 272,810**	**- 384,501**

Of the £385m intended savings, we note however that £149m relates to savings which have not been identified in detail. These mainly relate to the final three years considered within the MTFS, with no unidentified savings relating to 2015/16. A summary of unidentified savings per year is as follows.

Unidentified Savings Plans					
£'000	2015/16	2016/17	2017/18	2018/19	2019/20
Total New Unidentified Savings for the Year	**-**	**- 15,889**	**- 12,047**	**- 20,021**	**- 9,038**
2015-16 Ongoing Savings		-	-	-	-
2016-17 Ongoing Savings			- 15,889	- 15,889	- 15,889
2017-18 Ongoing Savings				- 12,047	- 12,047
2018-19 Ongoing Savings					- 20,021
Total Unidentified Savings for the Year (Including ongoing savings)	**-**	**- 15,889**	**- 27,936**	**- 47,957**	**- 56,995**
Cumulative Unidentified Saving	**-**	**- 15,889**	**- 43,825**	**- 91,782**	**- 148,777**

The savings gap the Council faces can thus be seen below -

Savings Gap					
£'000	2015/16	2016/17	2017/18	2018/19	2019/20
Cumulative Savings requirement	29,797	92,781	181,311	290,549	409,496
Cumulative Intended Savings	- 27,910	- 87,525	- 170,157	- 272,810	- 384,501
Gap	**1,887**	**5,256**	**11,154**	**17,739**	**24,995**
Add Cumulative unidentified savings	-	15,889	43,825	91,782	148,777
Total Savings Gap	**1,887**	**21,145**	**54,979**	**109,521**	**173,772**

The Council currently has £84m of usable reserves. Therefore, if none of the savings plans relating to unidentified plans were realised, the gap could be covered by reserves until 2018/19. This gives the Council some time to assess their position and target other areas for savings.

Other considerations

We note that the Council has approximately £79m of loans which can be classified as Lender Option Buyer Option, or LOBO's. These impact on our value for money considerations as, on an annual basis, the Council may have to agree to a higher interest rate, or repay the entire loan amount.

These loans could represent poor value for money if the Council needed to accept high interest rates to obtain necessary funding. For the Council we note that the interest rates currently being imposed on these loans range from 2.8% to 4.0%, which is in line with the Council's non-LOBO loans and hence does not give any cause for concern re value for money.

Conclusion

We have concluded that the Council can cover the necessary savings requirements for the next 3 financial years through the use of reserves, through the successful implementation of planned savings schemes. We would not necessarily expect the Council to have detailed savings plans in place beyond this time period.

However, there is a need for significant savings to be met over the medium term. There is currently no overarching plan to assist the Council in meeting their required cuts.

Our review has shown that the Council are considering the areas which we would expect to make savings at a service level, however it will become more challenging over time for the Council to continue to meet savings targets in this manner.

Compared to other Councils, in our view the Council are behind in implementing a larger, County-wide strategy and transformation plan. A transformation programme which includes integrated savings plans across all services as wholesale changes is likely to be needed to be able to meet the required savings in later years and place the Council in long term financial balance.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work.

We found no areas of concern to report in this context, other than requesting the Council revise the AGS to cover the matters arising following the uncovering of the material prior period error in relation to Assets Under Construction

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the National Audit Office. The audited pack was submitted on 15 December 2015. We found no areas of concern to report in this context.

Other matters reported to those charged with governance

Control recommendations

These are the matters we consider to be **most significant** for the Authority and have been raised with those charged with governance. Other, less significant recommendations have been brought to the attention of the Director of Finance.

County or Pension	Deficiency	Recommendation	Management's response
County	**Assets under construction projects are not being transferred out of AUC on completion, or written off on a timely basis**	We would recommend that management perform a regular review of the newly created AUC asset register to ensure that any projects which need to be written off or transferred on completion have been posted on a timely basis.	Now that an asset register has been created for Assets Under Construction, this will be reviewed annually as part of the closing of the accounts. All projects included within the asset register (rather than simply those that have experienced in year additions) will be assessed as to whether they have completed and need transferring out of the AUC category.
County	**The year end review process to remove all non-capitalisable spend from AUC is not functioning effectively.**	This control acts as a back-stop to the above control point, but we would recommend that management ensure that a thorough review is undertaken of the entire AUC listing to ensure that no non-capitalisable spend is held within AUC at year end.	The process for reviewing non-capitalisable spend contained within AUC was reviewed and updated and as such will continue to be implemented moving forward.

County and Pension	**The Oracle accounting system does not prevent staff from posting and authorising their own journals**	The Council should look to implement an independent review process for any journals posted over a certain value.	Although this is technically correct, authorisation of journals indirectly happens through monthly budgetary control procedures and balance sheet reconciliation i.e. any anomalies would be identified and acted on.
County	**There is no fixed asset register detailing individual fixed assets held for Infrastructure assets, which ties to the accounts.** **These categories represented a net book value totalling £687m in the Councils account for 2014/15.**	The Council should collate and maintain a listing of all assets to record all asset movements from this point forward. We also recommend that an exercise is undertaken to trace back all older assets which are currently included within the historic PPE balance to ensure that they are correctly categorised, and recognised at the appropriate value, and that they still exist. Relating to infrastructure, the Council are already planning to undertake an exercise such as this due to the CIPFA Code of Practice changes taking effect from 2016/17.	Due to the change in the Code of Practice being implemented in 2016/17, the Council has already worked up an asset register (albeit on a different valuation basis to that which is used currently). Therefore, this issue is already being addressed, but won't be fully implemented until the 2016/17 accounts.
County and Pension	**A list of related parties is not held and maintained by the Council.** **Returns from members and councillors are not filled out with a sufficient level of detail and omit information about interests held.**	The Council and the Pension Fund should maintain a related parties listing at all times so that the risk of engaging with a related party is mitigated.	The Finance and Pension Fund teams will engage with democratic services/ members/ senior officers during 2015/16 to establish a full listing of interests held by members/ senior officers. This can then be reviewed on a regular basis so that potential Related Parties can be flagged.

County	**Lack of segregation of duties within the accounts payable cycle module in Oracle**	The Council should seek to minimise the number of people who have conflicting responsibilities within its accounts payable or should implement detective controls to identify promptly any conflicting actions undertaken during the year. Examples of such conflicting responsibilities include the creation of new suppliers and processing of payments to suppliers.	All work has been completed in line with the framework document for access controls. All existing payables/purchasing responsibilities have been reviewed and in scenarios where conflicting responsibilities existed then the responsibilities were updated accordingly. A quarterly report is also being completed to confirm that review users responsibilities are appropriate to individuals roles.
Pension	**Valuation of the Cambridge and Counties bank was not commissioned to the required standard**	We would recommend that the Fund ensure that the valuation which is commissioned for the next financial year includes details from our findings this year (see pages 17 and 18 for details) to ensure that the work undertaken considers all of the relevant assumptions and includes the correct details regarding the Fund's ownership. We also recommend that sensitivities are performed on assumptions used.	Accepted Officers will review the most appropriate method taking into account all feedback.

Final Fees

Final Fees for 2014/15

We reported our fee proposals in our audit plan.

We varied our fee for the following reasons:

Council and Pension fund fees (Note 1):

In line with the Audit Commission's guidance, as part of our audit plan that was presented and approved, the indicative fee was adjusted to reflect the known audit risks and additional work at that time.

Based on our planning work we identified that there were specific risks to the Council and Pension Fund that required additional work to address the local risks. These were approved as part of our audit plan, and we will therefore seek approval for a fee variation from PSAA.

Council

In particular, the financial position of the Council has substantially increased our audit risk and hence our audit work associated with:

- Risk of fraud in management override of controls; and
- Risk of fraud in revenue and expenditure recognition.

The challenging financial position of the Council has also increased the level of work we are required to perform on value for money: the extent of the gap in the Medium Term Plan, with a forecast gap in the Medium Term Plan of £410m over the next 5 years means that have assessed the risk in respect of our value for money work as **significant**. As such we needed to undertake additional risk-based work around the Council's future financial plans and on the extent and robustness of its savings plans.

Our plan also included a significant risk associated with the Fixed Asset Accounting, as in FY14. Given the size and the nature of this balance, the manual input to this accounts area and judgements involved, additional work is required in relation to this balance. This area has also historically seen large adjustments, therefore required increased focus for this Council.

We also noted that there has been a change in the accounting policy for Accounting for Schools. This resulted in prior year adjustments that required auditing as well as detailed testing and review in relation to the work undertaken by the Council to these changes.

Pension Fund

Our plan initially identified an elevated risk in relation to the valuation of investments, including the valuation of the Cambridge & Counties Bank for the first time. This valuation has been undertaken by external valuers on behalf of the Council. We needed to perform additional work to assess the external valuer's work and assumptions in the current year, including the need to involve our own valuation specialists.

During the year there has also been a change in the custodian. Additional work was therefore required in the current year to understand new processes/procedures and also reviewing their reporting.

These scope changes were agreed at the planning stage with the Council and are currently with the PSAA for their approval before billing.

Scope Changes (Note 2)

This increase relates to the change in our audit risk level from **elevated** to **significant** for the valuation of the Cambridge and Counties bank investment, and also the extra work required due to issues identified with the evidence to support this valuation.

We also received a number of other audit deliverables late, including most significantly our journals data download, which was requested on the 3 June, but not received until the 15 July. Furthermore, we requested payroll reconciliations on 22 July, but the final deliverable was received 24 August. Both of these items were included on our initial deliverables schedule which was sent to management in advance of our on-site time on 2 March.

This scope change of £8k has been agreed with the Council and are currently with the PSAA for their approval before billing.

Scope Changes – AUC (Note 3)

This fee element is in relation to significant issues encountered whilst auditing PPE. This meant that we had to undertake significant additional work and involve our internal technical panel of technical experts on several occasions to resolve the matter from both an accounting and an auditing perspective.

In particular in auditing Assets Under Construction – as noted earlier in this report – which has added approximately 10 weeks to our audit timetable and has required the involvement of a technical panel of experts, as well as heavy engagement leader and engagement manager input to resolve.

The proportion of these costs that have been agreed for payment by the Council is £35k, and this is currently with the PSAA for their approval before billing.

Our fees charged were therefore as follows:

Audit Fee	Outturn 2014/15 £	Fee Proposal 2014/15 £	Actual Fees 2013/14 £
Audit work performed under the Code of Audit Practice	125,415	125,415	125,415
- Statement of Accounts			
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Pension Fund	22,410	22,410	22,410
Total Agreed Scale Fee	147,825	147,825	147,825
Additional Audit Work to Respond to Local Risks			
Council (Note 1)	16,000*	16,000	13,262
Pension Fund (Note 1)	15,000*	15,000	19,553
Scope changes (Note 2)	8,000*	-	-
Scope change - AUC (Note 3)	35,000*	-	-
Total Audit Code work	**221,825**	**178,825**	**180,640**
Planned non-audit work			
Teachers' Pension grant procedures	10,000	10,000	10,000
VAT Helpline	3,670	3,670	2,000
VAT Advice on Guided Busway	-	-	8,000
Total fees (audit and non-audit work)	**235,495**	**192,495**	**200,640**

* To be agreed with PSAA Ltd

130610-142627-JA-UK

Agenda Item No: 7

RISK MANAGEMENT REPORT

To:	**Audit and Accounts Committee**		
Date:	**26th January 2016**		
From:	**Sue Grace, Director, Customer Services and Transformation**		
Electoral division(s):	**All**		
Forward Plan ref:	**N/A**	*Key decision:*	**N/A**

Purpose:

- **To provide the Audit and Accounts Committee with the profile of Corporate risks faced by the Council**
- **To provide details of significant changes to the Corporate Risk Register since the last report to the Committee in September 2015**
- **To provide the Audit and Accounts Committee with the profile of risks faced by corporate and executive directorates**

Recommendation: **Audit and Accounts Committee comments on and notes the latest Risk Management Report.**

	Officer contact:
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1. BACKGROUND

1.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels across the Council, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved.

1.2 The risk management approach is encapsulated in 2 key documents:

- Risk Management Policy

  This document sets out the Council's Policy on the management of risk, including the Council's approach to the level of risk it is prepared to countenance as expressed as a maximum risk appetite. The Risk Management Policy is owned by the General Purposes Committee.

  The Risk Management Policy states that the Council aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers, although this must be within the Council's risk appetite. Audit and Accounts Committee members are therefore reminded that accepting a residual risk score of amber is appropriate provided that an objective risk assessment has been undertaken.

- Risk Management Procedures

  This document details the procedures through which the Council will identify, assess, monitor and report key risks. The Risk Management Procedures document is owned by the Strategic Management Team (SMT).

1.3 The respective roles of the Audit and Accounts Committee and General Purposes Committee in the management of risk are:

- The Audit and Accounts Committee provides independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

- The General Purposes Committee has an executive role in the management of risk across the Council in its role of ensuring the delivery of customer outcomes.

1.4 Risk Identification

The Council's approach to risk identification is described in the following extract from the Council's Risk Management Policy as approved by General Purposes Committee:

- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively;

- Risk management should be embedded in everyday business processes;

- Officers of the Council should be aware of, and operate, the Council's risk management approach where appropriate;

- Councillors should be aware of the Council's risk management approach and of the need for the decision making process to be informed by robust risk assessment, with General Purposes Committee members being involved in the identification of risk on an annual basis.

Ownership of the Corporate Risk Register (CRR) lies with SMT which reviews the Register on a quarterly basis, following an initial review by the Corporate Risk Group (CRG), chaired by the LGSS Head of Internal Audit.

Significant changes to the CRR are reported to General Purposes Committee and Group Leaders on a quarterly basis. On an annual basis General Purposes Committee and SMT will review the CRR to seek to ensure that all significant risks faced by the Council are reflected. This annual review is undertaken in co-ordination with the annual business planning process.

1.5 The CRR was reviewed by SMT on 16th November 2015. A report detailing significant changes to the CRR will be presented to the General Purposes Committee at its meeting of 2nd February 2016.

1.6 This report is supported by:

- The Corporate Risk Profile (Appendix 1)
- The Corporate Risk Register (Appendix 2 to be provided separately as an A3 colour version.)

2. CORPORATE RISK REGISTER UPDATE FROM SMT AND GROUP LEADERS

2.1 Following the review of the CRR by SMT on 16th November, SMT is confident that the CRR is a comprehensive expression of the main risks faced by the Council and that mitigation is either in place, or in the process of being developed, to ensure that each risk is appropriately managed.

Appendix 1 shows the profile of Corporate Risk against the Council's risk scoring matrix.

New risk 29: Failure to address inequalities in the county

This risk is currently included in the Public Health Risk Register. However, health inequality and inequalities more generally are a cross-cutting issue, with determinants that could be related to the full range of Council services and with consequences that could impact across the Council. As a result, Public Health Quality, Safety and Risk Group and Public Health Directorate Management Team proposed that the risk on either health inequalities or wider inequalities should be added to the corporate risk register. This recommendation was taken to Health Committee who agreed that the Public Health Directorate contribution to addressing the wider determinants of health inequalities was limited in scope, and therefore an addition to the corporate risk register regarding wider inequalities across the county should be proposed.

SMT agreed new corporate risk 29, Failure to address inequalities in the county

2.2 **New risk 30: Failure to deliver Waste savings/opportunities and achieve a balanced budget**

This risk is currently included in the Economy, Transport and Environment Risk Register. SMT agreed that this risk should be included on the Corporate Risk Register.

SMT agreed new corporate risk 30, Failure to deliver Waste savings / opportunities and achieve a balanced budget

2.3 A question was raised by the Audit and Accounts Committee in September on whether the City Deal should feature on the Council's Corporate Risk Register. In response, it was indicated that it was not currently on the Register but it was on the ETE Risk Register. The query was regarding whether there were implications of the City Deal Capital Programme on the Council's Capital Programme.

Initial Response from Bob Menzies, Service Director: Strategy and Development "City Deal doesn't warrant an additional risk over and above the general issue of recruiting and retaining the staff we need to deliver all our programmes.

In order to deliver City Deal we have over the last eighteen months filled existing posts that became vacant and which we would otherwise have left vacant, e.g. Head of Major Infrastructure Delivery (MID), Team Leader Public Transport Projects, and Two Project Manager posts in MID. We have also made four staff permanent who were employed on temporary contracts to deliver Cycle City Ambition Grant funded cycling infrastructure, and we have added two additional communications support officer posts to help with City Deal consultations. So in effect there are ten more posts in MID as a result of City Deal. All MID posts are charged to scheme budgets.

We haven't yet added any additional staff to Transport and Infrastructure Policy and Funding (TIPF) but in a no city deal world MID would probably have merged with TIPF with a further reduction in posts.

Between TIPF and MID we have a resource plan in place, and have identified the need to recruit further staff to deliver the rising workload as we move into next year.

There has been no impact on the delivery of the Council's Capital Programme from City Deal."

As a reply, the Committee wished to ask a further question of what the impact would be of failure to deliver the City Deal projects and sought a reply from the officer.

The following response was provided in response to the above question from Bob Menzies "The basis of the City Deal is that funding is split into three tranches. £100m has been provided for the first five years. Subsequent tranches of £200m for each of the next five years are subject to delivery of the initial tranche. The largest risk of non-delivery is therefore the loss of the further funding of £400m for years 6-15. While there is no direct financial impact on the Council, the impact of our inability to deliver infrastructure to support growth would be very considerable on the Greater Cambridge area and beyond.

Programmes for delivery of the larger projects are tight, having regard to the significant statutory and other processes needed prior to construction, and in consequence not all of the tranche 1 schemes will be fully completed within the initial five years. The Government will assess delivery by measuring each scheme against budget and programme, but the measures will not be set until the schemes are fully developed and committed.

It should be noted that the City Deal Board have prioritised £168m of schemes for tranche 1. While some of the additional funding will come from other sources such as developers, this also allows some contingency should projects take longer to develop, or are significantly scaled down or varied from the initial concepts in the bid following public consultation. Some funding has also been allocated for early development of tranche 2 projects, which will commence next year and provide a reserve list of projects."

SMT agreed that there is not a need for a separate risk on the Corporate Risk Register

2.4 Details in respect of Risks 29 and 30 are included in the attached Appendix 2.

2.5 Following the review of the CRR by Group Leaders on 7th January the following changes were proposed.

2.6 **Risk 9: Failure to secure funding for infrastructure**

Action 9. Steve Count had raised at GPC meeting a question around the New Communities and that the CFA led document was disconnected from the new communities work on the 'harder' infrastructure side and that we needed these linking together and to be a whole council response.

This will be discussed at the next Corporate Risk Group on 3rd February.

2.7 **Risk 27: The Pension Fund is materially under-funded**

The risk description to be re-worded to say The Pension Fund has the potential to become materially under-funded.

2.8 **Risk 29: Failure to address inequalities in the county**

Steve Count requested more actions against this risk.

This will be discussed at the next Corporate Risk Group on 3rd February.

3 SERVICE RISK

CORPORATE AND EXECUTIVE DIRECTORATE RISKS

3.1 The following table overleaf shows the profile of directorate risk across the Red, Amber, Green (RAG) range and comparison with the previous quarter's profile.

ANALYSIS OF DIRECTORATE RESIDUAL RISKS AS AT DECEMBER 2015

DIRECTORATE	Green		Amber		Red		Total	
	Nov	Dec	Nov	Dec	Nov	Dec	Nov	Dec
Children, Families and Education (CFA) (Dec-15)	2	2	13	13	1	1	16	16
Economy, Transport and Environment (ETE) (Aug-15)	0	2	16	17	1	1	17	20
Corporate (Apr-15)	0	0	7	7	0	0	7	7
Public Health (PH) (Dec-15)	2	2	19	22	0	0	21	24
TOTAL	**4**	**6**	**55**	**59**	**2**	**2**	**61**	**67**

The Table illustrates that there are 67 risks recorded in service risk registers. 65 of the risks are managed within the Council's stated risk appetite of a maximum score of 15 as defined in the Risk Management Policy. Actions are planned against the previously reported red risks for ETE and CFA.

4. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

Risk management seeks to identify and to manage any risks which might prevent the Council from achieving its 3 priorities of:

- Develop the local economy for the benefit of all
- Help people live healthy and independent lives
- Support and protect vulnerable people

Source Documents	Location
Corporate Risk Register	Box OCT1108 Shire Hall Castle Hill

	Cambridge, CB3 0AP

CORRPORATE RESIDUAL RISK MAP - JANUARY 2015

Appendix 1

Favourable change **Adverse change**

Green rated Amber rated Red rated

PROBABILITY

	1 Negligible	2 Low	3 Medium	4 High	5 Very High
5 Very Likely	A	A	A	R	R
4 Likely	G	A	A	R 9, 1a, 1b	R
3 Possible	G	A	A 22, 2, 24	A 3, 29, 21, 28	A 27, 15, 30
2 Unlikely	G	G	A 4, 23	A 20	A 26
1 Very Rare	G	G	G	G	A

IMPACT

Cambridgeshire County Council

CORPORATE RISK REGISTER

Appendix 2

Version Date: November 2015

Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Residual Risk: Probability	Residual Risk: Impact	Residual Risk: Score *	Actions: Description	Actions: Action Owner	Actions: Target Date	Actions: Revised Target Date	Actions: Action Status	Action Owner Acronyms explained	Comments
1a	Failure to produce a robust and secure Business Plan over the next 5 years	1. Failure to have clear political direction, vision, priorities, and outcomes in the Business Plan. 2. Failure to plan effectively to achieve necessary efficiency savings and service transformation. 3. Failure to identify sufficient additional savings in addition to existing plans, in light of forthcoming CSR. 4. Worsening Pension Fund deficit 5. Legislative changes add unforseen pressures to Council savings targets	1. The Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.	CD CS&T	1. Robust political leadership, strong vision, clear priorities and policies, developed through councillor engagement 2. Robust engagement with members of CLT and Councillors through the Business Planning process timetable, to ensure greater cross-organisational challenge and development of options. 3. Full consultation with public, partners and businesses during planning process, including thorough use of data research and business intelligence to inform the planning process 4. Stronger links with service planning across the Council seeking to transform large areas of spend. 5. Business Planning process requires early identification of possible impacts of legislative changes, as details emerge 6. A working party is exploring alternatives to the existing business planning process	4	4	16	2. Implementation of the "new operating model" business planning approach alongside the existing cash limit approach (as approved by GPC 28 July 2015)	SMT	Feb-16		G		
1b	Failure to deliver the current 5 year Business Plan	1. Failure to deliver (with partners) the Business Plan and achieve required efficiency savings and service transformation. 2. Assumptions in existing Business Plan regarding the wider economic situation are inaccurate. 3. Organisation not sufficiently aligned to face challenges.	1. The Council is unable to achieve required savings and fails to meet statutory responsibilities or budget targets; need for reactive in-year savings; adverse effect on delivery of outcomes for communities	CE	1. Robust service planning; priorities cascaded through management teams and through appraisal process 2. Strategy in place to communicate vision and plan throughout the organisation 3. Performance Management 4. Governance framework to manage transformation agenda: a. Integrated portfolio of programmes and projects b. Routine portfolio review to identify and address dependencies, cross cutting opportunities and overlaps c. Directorates to review and recommend priorities d. Directorate Management Teams/Programme Gvnce Boards ratify decisions 5. Rigorous RM discipline embedded in all transformation programmes/projects, with escalation process to Directorate Management Teams / Programme Boards 6. Integrated performance and resource reporting (monthly to GPC) a. Monthly progress against savings targets b. Corporate Scorecard monitors performance against priorities c. Budget holders monthly meetings with LGSS Finance Partner/External Grants Team, producing BCR d. Regular meetings with Director of Finance/s151 Officer, Committee Chairs and relevant Directors to track exceptions and identify remedial actions 7. Rigorous treasury management system in place plus ongoing tracking of national and international economic factors and Government policy 8. Limited reserves for minor deviations 9. Routine monitoring of savings delivery to identify any required interventions 10. Bi-annual Leaders and Chairs meeting and Cambridgeshire Public Service Board 11. Board Thematic Partnerships including the LEP and the Health and Well Being Board, commissioning task and finish groups 12. LGSS governance arrgts incl representation on SMT (Section 151 Officer)	4	4	16							
		1. LGSS resources available to support CCC are reduced as LGSS expands its customer base 2. Failure to manage LGSS	1. Support services to CCC are not provided in a timely, accurate and professional manner		1. Joint Committee Structure incl CCC Cllr representation, LGSS Overview and Scrutiny Cttee, Chief Executive sits on LGSS Management Board				2. In depth reviews of the remaining SLAs in the Council's contract with LGSS, beginning with OWD, Audit and Risk Management and Strategic Assets (including the ongoing IT review)	CD CS&T	May-15	Mar-16	G	Corporate Director, Customer Service and Transformation	

Cambridgeshire County Council

CORPORATE RISK REGISTER

Appendix 2

Version Date: November 2015

Details of Risk					Key Controls/Mitigation	Residual Risk			Actions					Action Owner Acronyms explained	Comments
Risk No.	Risk Description	Trigger	Result	Owner		Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status		
2	The quality, responsiveness and standard of LGSS Services fail to meet CCC requirements	service delivery to CCC		CD CS&T	2. LGSS director representation on SMT to ensure LGSS meets current and future Council needs 3. LGSS Strategic Plan, Strategy Map and Improvement Activities identified 4. Programme Management arrangements in place to move forward workstreams 5. CCC performance management arrangements 6. LGSS performance management team 7. LGSS SLA's in place and regularly reviewed in detail 8. Corporate Director CS&T responsible for managing LGSS / CCC relationship	3	3	9							
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	1. Ineffective recruitment outcomes 2. Ineffective planning processes 3. Unattractive terms and conditions of employment. 4. High staff turnover 5. Lack of succession planning to capture experience and knowledge 6. Increasing demand for services 7. Lack of trained staff 8. National pressures on the recruitment of key staff	1. Failure to deliver effective services 2. Regulatory criticism/sanctions 3. Civil or criminal action 4. Reputational damage to the Council 5. Low morale, increased sickness levels	DoPTT	1. Annual business planning process identifies staffing resource requirements 2. Children and Adults Workforce Strategy and Development plans with focus on recruitment and retention 3. Robust performance management and development practices in place. 4. Flexible terms and conditions of employment 5. Appropriate employee support mechanisms in place through the health and well being and counselling service agenda. 6. Organisational Workforce Development Programme 7. Use of statistical data to shape activity relating to recruitment and retention 8. Workforce Strategy and Development Plan which is reviewed by LGSS Management Board on a quarterly basis.	3	4	12	***1. LGSS Management Board will review the workforce strategy and action plan quarterly*** ***2. Production of common training programme by OWD taken from service needs and compiled from PADP outcomes (annually)*** ***3. Annual employee survey to feed into LGSS service improvement plans***	***LGSS MB*** ***LGSS*** ***LGSS SAC&S***	***Jan-16*** ***Sep-16*** ***Nov-15***		G G G	LGSS Management Board LGSS Service Assurance, Customers and Strategy	
4	The Council does not achieve best value from its procurement and contracts	1. ineffective procurement processes 2. Lack of awareness of procurement processes across the Council 3. Ineffective contract management processes 4. Untrained contract managers	1. Poor value for money 2. Legal challenge 3. Wasted time and effort in contractual disputes	DoLPG	1. Contract Procedure Rules and Procurement Best Practice Guidance kept updated with changes in best practice 3. Procurement Training 4. Central Contract register 5. Use of checklist (Summary Procurement Proposal) on all new procurement activity undertaken via central Procurement team. ***This includes a review of options to achieve optimal value and where feasible captures existing costs and new costs after the procurement.***	2	3	6	1. Audit reviews to provide assurance that individual managers have the appropriate skills and training 2. Audit reviews to provide assurance on the effectiveness of contract management in selected contracts	HIA HIA	Mar-16 Mar-16		G G		
		1. Insufficient funding is obtained from a variety of sources, including growth funds, section 106 payments, community infrastructure levy and other planning contributions, to deliver required infrastructure . This is exacerbated by austerity measures and reduced government funding for local authorities	1. Key infrastructure, services and developments cannot be delivered, with consequent impacts on transport, economic, environmental, and social outcomes. This could also result in greater borrowing requirement to deliver essential infrastructure and services which is		1. Maximisation of developer contributions through Section 106 negotiations. 2. Prudential borrowing strategy is in place.				1. Maintain dialogue with Cambridge City Council and South Cambridgeshire District Council to input into Community Infrastructure Levy prior to adoption of the Local Plan (Adoption of CIL anticipated 2016) 7. Investigate the potential for use of Tax Increment Financing and other innovative forms of funding.	HoTIPF Exec Director, ETE	***2016*** Ongoing		G		

CORPORATE RISK REGISTER

Appendix 2

Version Date: November 2015

Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status	Action Owner Acronyms explained	Comments
Details of Risk						**Residual Risk**			**Actions**						
9	Failure to secure funding for infrastructure	local authorities 2. Significant reduction in school infrastructure funding in 2016/17 from £34m per annum to £4m	services which is unsustainable.	ED ETE ED CFA	3. Section 106 deferrals policy is in place.	4	4	**16**					G		
					4. External funding for infrastructure and services is continually sought ***including grant funding*** .				9. Assist service areas define their infrastructure ~~***requirements***~~ ***needs*** to be pulled together within one ~~***policy***~~ document for use ***- the Cambridgeshire Infrastructure Plan led by the Joint Strategic Planning Unit.***	HoTIPF	~~***Spring 2015***~~	***Dec-15***	G	HoTIPF - Head of Transport Infrastructure Policy and Funding HoGE - Head of Growth and Economy HoS - Head of Strategy SD S&C - Service Director, Strategy and Commissioning ED CFA - Exec Director, Children, Familes and Adults	
					5. Maintain dialogue with Huntingdonshire District Council and East Cambridgeshire District Council where Community Infrastructure Levy is in place to secure CIL monies for County Projects.				10. Scope out potential for a more joined up approach to CIL and investment in infrastructure	HoTIPF	~~***Spring 2015***~~	**Autmn 2015**	G		
					6. Strategic development sites dealt with through S106 rather than CIL and S106. In dealing with sites through S106 alone, the County Council has direct involvement in negotiation and securing of developer contributions to mitigate the impact of a specific development.				~~***12. Seek to maximise potential Basic Need capital allocations through submission of a robust evidence-based School Capacity Annual Return to the Department for Education.***~~	~~***Exec Director , CFA***~~	~~***Aug-15***~~		G		
					7. County planning obligation strategy being developed for district's and CCC use.				~~***14. Develop a New Communities Strategy to provide clearer arrangements for how CCC will support people moving into new communities.***~~	~~***SD S&C***~~			G		
					8. Lobby with LGA over infrastructure deficit				15. County Planning obligation strategy being developed for district's and CCC use.	HoGE	Dec-15		G		
					9. On-going review, scrutiny and challenge of design and build costs to esnure maximum value for money.										
					10. Coordination of requirements across Partner organisations to secure more viable shared infrastructure.										
					11. Respond to District Council Local Plans and input to infrastructure policy at all stages of the Local Plan process.										

CORPORATE RISK REGISTER

Appendix 2

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Details of Risk					Key Controls/Mitigation	Residual Risk			Actions					Action Owner Acronyms explained	Comments
Risk No.	**Risk Description**	**Trigger**	**Result**	**Owner**		**Probability**	**Impact**	**Score ***	**Description**	**Action Owner**	**Target Date**	**Revised Target Date**	**Action Status**		
15	Failure of the Council's arrangements for safeguarding vulnerable children and adults	1. Severe family crisis despite the robust arrangements in place designed to prevent harm to adults and children 2. Insufficient skilled and experienced staff in Social Care. 3. Instability of social care workforce. 4. Quality Assurance processes fail to identify poor practice. 5. Volume of work exceeds staff capacity. 6. Information not shared effectively between different parts of the safeguarding system. 7. Poor case recording and record sharing.	1. Harm to a child (including in Domestic Violence situations) or an adult receiving services from the Council 2. Reputational damage to Council	ED CFA	1. Multi-agency Safeguarding Boards	3	5	*15*	3. Implement plan to integrate adult safeguarding into the Multi-agency Safeguarding Hub (MASH)	SD ASC	Jul-15	~~*01/09/2015*~~ **Jan 16**	G		Revised date and status due to difficulty recruiting
					2. Safeguarding Procedures, monitored during on-going supervision, and via service quality monitoring arrangements including case audits.				4. Revision to safeguarding procedures to support government initiative 'Making Safeguarding Personal' as referred to in current guidance for the Care Act.	SD ASC	Oct-15	***Jan-16***	G		Revised date due to the need to ensure that Masking Safeguarding Personal is embedded throughout the guidance meaning a rewrite of the current procedures
					3. Adults Safeguarding Practice Guidance and Procedures in place for Partners and reviewed regularly									ED CFA - Executive Director Children, Families and Adults SD ASC - Service Director, Adult Social Care	
					4. Regular sharing of information with regulating bodies, including regulator reviews across Social Care Services.										
					5. Skilled and experienced safeguarding leads & their managers.										
					6. Comprehensive and robust recruitment and training and development policies for staff, including safer employment practices and arrangements for induction and ongoing development including case recording.										
					7. Common Assessment Framework to identify children at risk.										
					8. Continuous process of updating practice and procedures, linking to local and national trends, including learning from local and national reviews such as Serious Case Reviews.										
					10. Health and Wellbeing Strategy includes commitment from partners to safeguarding and a focus on the prevention of domestic violence, raising awareness and providing appropriate support for victims										
					11. Multi Agency Safeguarding Hub supports effective referral of vulnerable people across agencies										
					12. Robust process of internal QA and audit										
					13. Revised Social Work Unit model										
					14. Next steps Board supports and monitors Children's safeguarding improvement										
					15. Mental Capacity Act/Deprivation of Liberty (DoL) Governance group oversees DoL legislation requirements, including implications of the supreme court judgements										
					16. Safeguarding Adults Board includes business plan 2014-17										
					17. Adult Safeguarding training strategy including training for GPs										
					18. Whistleblowing policy										
					19. Complaints process informs practice										
					20. Children's and Adults Social Care Performance Board monitors performance and thresholds										
					21. Robust challenge and partnership engagement through the LSCB										
					22. Children's and Adults Social Care Recruitment and Retention Strategy										
					23. Systematic review of referrals within the IAT to ensure effective triaging of new referrals										
					24. Early Help QA Framework and Practice Standards										
					25. Early Help Performance Framework										
					26. Joint protocols for case transfer E&P to Children's Social Care										
					27 Effective step down protocols										
					28. Change to safeguarding required by the Care Act 2014 overseen by the Safeguarding Adults Board and the Transforming Lives/Care Act programme Board. Implementation began April 2015 in line with legislation and current guidance and will be reviewed and adpated as further national guidance becomes available										
					29. Coordinated work between Police, County Council and other agencies to identify child sexual exploitation, with the oversight of the LSCB										
		1. Staff unaware of	1. Adverse reports from		1. LGSS legal team robust and up to date with appropriate legislation.										

Details of Risk						Residual Risk			Actions						
Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status	Action Owner Acronyms explained	Comments
20	Non compliance with legislative and regulatory requirements	changes to legislative/regulatory requirements 2. Lack of staff training 3. Lack of management review	regulators 2. Criminal or civil action against the Council 3. Reputational damage	CE	2. LGSS legal team brief Corporate Leadership Team on legislative changes 3. Service managers kept abreast of changes in legislation by the Monitoring Officer, Gov departments and professional bodies 4. Monitoring Officer role 5. Code of Corporate Governance 6. Community impact assessments required for key decisions 7. Business Planning process used to identify and address changes to legislative/regulatory requirements 8. Constitutional delegation to Committees and SMT 9. H&S policy and processes ***10. Testing of retained learning***	2	4	8							
21	Business Disruption	1. Loss of staff (large quantities or key staff) 2. Loss of premises (including temporary denial of access) 3. Loss of IT, equipment or data 4. Loss of a supplier 5. Loss of utilities or fuel ***6. Flu Pandemic***	1. Inability to deliver consistent and continuous services to vulnerable people 2. School closures at critical times impacting students' ability to achieve 3. Inability to fully meet legislative and statutory requirements 4. Increase in service demand 5. Inability to respond to citizens' request for services or information 6. Lasting reputational damage	CD CST	1. Corporate and service business continuity plans 2. Relationships with the Unions including agreed exemptions 3. Corporate communication channels 4. Multi-agency collaboration through the Cambridgeshire & Peterborough Local Resilience Forum (CPLRF) 5. First phase of IT resilience project including the increased alternative power/environment conditions in major machine rooms 6. Operational controls 7. Resilient Internet feed 8. Business continuity testing 9. CCC corporate BCP Group incl LGSS BC leads	3	4	12	3. Project to establish 2nd LGSS data centre for resilience/backup of all systems, in addition to Scott House 12. Address the management agreed actions from the Business Continuity Audit	DoIT HoEP	Mar-13 Sep-15	Dec-15	G G	DoIT - Director of Information Technology HoEP - Head of Emergency Planning HIA&RM - Head of Internal Audit and Risk Management	
22	The Cambridgeshire Future Transport programme fails to meet its objectives within the available budget	1. Cambridgeshire Future Transport fails to deliver effective, efficient and responsive passenger transport services around Cambridgeshire	1. The accessibility needs of Cambridgeshire residents are not met, contributing to social exclusion, poor take up of employment and education opportunities, and reduced quality of life. 2.- Failure to complete on time will mean business plan savings are not achieved.	DoSD	1. A Governance group, including member representation from each of the districts, County, NHS, Cambridgeshire ACRE is in place to oversee the programme 2. The Cambridgeshire Future Transport programme board consisting of representatives from ETE, CFA and Comms 3. Strategic business case, Risks and Issues Log and programme is in place. 4. Communications strategy has been developed. 5. Engagement strategy including stakeholder mapping has been developed.	3	3	9	~~***2. Identify suitable delivery models for areas E, F, G***~~ ~~***E - A14 Corridor***~~ ~~***F - A1 Corridor and A14***~~ ~~***G - Harston, Great Shelford***~~ ~~***4. Manage the review of the commissioning of transport across all forms of provision in the county***~~ ~~***3. Identify suitable delivery models for areas K, L, M***~~ ~~***K - Chatteris, March, Wisbech***~~ ~~***L - Gorfield, Leverington***~~ ~~***M - Melbourn, Bassingbourn***~~ ***5. A14 Corridor, A1 Corridor/A14, Harston and Great Shelford:Tenders for services 400 and 401 are currently being evaluated.*** ***6. St Ives, Ramsey, Whittlesey, St Neots, Brampton, Isleham and Fordham: Tenders for services 21, 31, 46, 47 and 901-904 are currently being evaluated***	~~***HoPT***~~ ~~***HoPT***~~ ~~***HoPT***~~ ***HoPT*** ***HoPT***	 ~~***Mar-16***~~ ~~***Sep-15***~~ ~~***Oct-15***~~ ~~***Sep-15***~~	~~***Oct-15***~~ ***Jan-16*** ***Jan-16***	G G G G G	HoPT - Head of Passenger Transport	

CORPORATE RISK REGISTER

Version Date: November 2015

Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status	Action Owner Acronyms explained	Comments
Details of Risk						Residual Risk			Actions						
					6. Bi-weekly project team meetings.				***7. Chatteris, March, Wisbech, Gorfield, Leverington, Melbourn, Bassingbourn: Tenders for services 9, 35, 46 and 390 are currently being evaluated. Community led timetables for the remaining services continue to be developed.***	***HoPT***	~~***Oct-15***~~	***Jan-16***	G		
					7. Updates are provided monthly for Members via Key Issues.				***8. Manage the review of the commissioning of transport across all forms of provision in the County.***	***HoPT***	***Mar-17***		G		
					8. Two year programme in place for the review of the commissioning of services.										
23	Major Fraud or Corruption	1. Non compliance with the internal control framework and lack of awareness of anti-fraud and corruption processes. 2. Increased personal financial pressures on individuals as a result of economic circumstances	1. Reputational damage 2. Financial loss	CE	1. Financial Procedure rules	2	3	6	3. Implement anti bribery policy	HIARM	Mar-14	Dec 15	A	HIARM - Head of Internal Audit and Risk Management	
					2. Anti Fraud and Corruption Strategy incl Fraud Response Plan				4. Fraud awareness campaigns	HIARM	Dec-15		G	HIARM - Head of Internal Audit and Risk Management	
					3. Whistle blowing policy										
					4. Codes of conduct										
					5. Internal control framework										
					6. Fraud detection work undertaken by Internal Audit										
					7. Awareness campaigns										
					8. Anti Money Laundering policy										
					9. Monitoring Officer/Democratic Services role										
					10. Publication of spend data in accordance with Transparency Agenda										
					11. New Counter Fraud Team established in LGSS										
24	A lack of Information Management and Data Accuracy and the risk of non compliance with the Data Protection Act	1. Failure to equip staff and managers with the training, skills, systems and tools to enable them to meet the statutory standards for information management. 2. Failure to ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive and fit for purpose to enable managers to make confident and informed decisions.	1. Adverse impact on Council's reputation. 2. Adverse impact on service delivery, as unable to make informed decisions. 3. Financial penalties. 4. Increase in complaints and enquiries by the ICO. 5. Decisions made by managers are not appropriate or timely.	CD CST	1. Governance; SIRO, CIO, Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities (see below) Data protection registration requirements	3	3	9	6. Roll out of EDRM to manage the information lifecycle (including information standards). Task and finish group established to drive forward greater awareness raising and training	IM	Mar-13		G	IM - Information Manager	
					2. Policies: Data Protection, Freedom of Information, Information Security Incidents, Mobile Devices, Code of conduct, Retention schedules, IT security related policies (computer use, email), Information Management Strategy				~~***8. Review e-safety policy***~~	~~***CDCST***~~	~~***Nov-13***~~		A	Corporate Director, Customer Services and Transformation	
					3. Procedures: FOI, Subject Access Request Handling, Records Management, service level operational procedures,										
					4. Tools: Encrypted laptops and USB sticks, secure email and file transfer solutions, asset registers (USB sticks, encrypted laptops)										
					5. Training and awareness: Data Protection, information security, information sharing, Freedom of Information and Environmental Information Requests										
					6. Advice: Information Management advice service (IM, IG, RM, security), Information Management addressed via the Gateway project										
					7. Information asset catalogue										
					8. Information sharing protocols embedded internally and with partners										
					9. Audit/QA of accountabilities process										
					10. e-safety policy										

Cambridgeshire County Council

CORPORATE RISK REGISTER

Appendix 2

Version Date: November 2015

Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status	Action Owner Acronyms explained	Comments
Details of Risk						Residual Risk			Actions						
		1. Failures of Busway bearings or movement of foundations continue and increase	1.Significant and ongoing costs to maintain the Busway or restricted operation of the Busway to the extent that it will no longer be attractive to operators or passengers.		1. Monitoring and inspection regime in place				~~***3. Prepare a strategy for the procurement of a contract to rectify the busway defects. This has been put on hold as a result of negotiations with Contractor (Action 6) leading to the drawing up of proposals for further surveys and monitoring to improve understanding of the busway behaviour***~~	~~***SD S&D ETE***~~		~~***Oct-15***~~	G	Service Director, Strategy & development, ETE.	
					~~***2. Defects have been notified to Contractor in accordance with Contract . The Contractor has failed to investigate the defects or correct the defects within the defect correction period.***~~ ***A process is established to record defects and pass on to the Contractor***				~~***4. Engage with bus operators, Busway users and prospective contractors to identify working methods that minimise disruption during the defect correction works. On hold pending surveys and monitoring.***~~	~~***SD S&D ETE***~~		~~***Jan-16***~~	G		
					~~***3. Causes of defects have been investigated and identified by the Project Manager***~~				***Survey and investigation work. Programme of investigation and surveys agreed with BAM Nuttall to better understand nature, cause and possible solutions to defects. Contracts are let and surveys to take 6 months, commencing August 2015. Other actions put on hold pending outcomes.***	***SD S&D ETE***	***Feb-16***		A		
26	Increasing manifestation of Busway defects			ED ETE	~~***4. The Project Manager has assessed the cost of correcting the defects. Under the terms of the Contract this is payable by the Contractor.***~~	2	5	10							
					5. Independent Expert advice has been taken confirming that the defects are defects under the Contract and that a programme of preventative remedial action is required and will be cheaper overall and less disruptive in the long run than a reactive response.										
					6. Legal Advice has been taken confirming that the defects are defects under the contract and that the Council has a good case for recovering the cost of correction from the Contractor										
					7. Retention monies held under the contract have been withheld from the Contractor and used to meet defect correction and investigation costs.										
					8. Funds have been set aside from the Liquidated Damages witheld from the Contractor during construction, which are available to meet legal costs										
					9. General Purposes Committee have resolved to correct the defects and to commence legal action to recover the costs from the Contractor										
					10. Initially defects are being managed on a case by case basis until the contractual issues are resolved, minimising impact on the public.										
27	***The Pension Fund has the potential to become materially under funded***	2. Contribution levels do not maintain the level of the fund 3. The longevity of scheme members increases 4. Government changes to pensions regulations 5. Volatility of financial markets 6. Change to tax threshold causing exceedingly high contribution 7. Shrinking workforce	1. Significant increases in revenue contributions to the Fund are necessary placing additional savings requirements on services	CFO	1. Governance arrangements including CCC Constitutional requirements and Pensions Committee including response to Hutton enquiry 2. Investment Panel work plan 3. Triennial valuation 4. Risk agreed across a number of fund managers 5. Fund managers performance reviewed on a regular basis by Pensions Committee 6. Opt in legislation	3	5	15							

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Appendix 2

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Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status	Action Owner Acronyms explained	Comments
Details of Risk						**Residual Risk**			**Actions**						
28	Lack of capacity to respond to rising demand for service provision	1. Significant increase in the numbers of people requiring services 2. Increase in the acuity of needs 3. Resourcing pressures within the Council. 4. Big thematic change does not result in tangible transformation at front line. 5. Welfare reform brings increased vulnerability. 6. Preventative services reductions risk increasing acuity of need. 7. NHS transition brings increased financial pressures. 8. Sudden incrase in population in one area due to large building development increases demand.	1. Client dissatisfaction and increased risk of harm. 2. Reputational damage to the council. 3. Failure to meet statutory requirements. 4. Regulatory criticism. 5. Civil or criminal action against the Council	ED CFA	1. Use of trend data to identify children's needs at the earliest stage 2. Data regularly updated and monitored to inform service priorities and planning 3. Joint Strategic Needs Assessment provides information regarding demographics and need, which is used to inform service planning 4.Business planning process ensures resources are matched to need 5. Cross-district Welfare Reform Strategy Group supports early identification of need and joint planning. 6. Business planning proposals address future demand for services. 7. Looked After Children Placement Strategy 8. CFA Performance Board monitors performance of service provision 9. Strategy for tackling child and family poverty and economic disadvantage in Cambridgeshire 2014-17 agreed with multi agency committment	3	4	12	1. Delivery of 2015/16 demand management BP savings monitored through the CFA Performance Board	HoS Strat	Mar-16		A	HoS Strat - Head of Service Strategy SD E&P - Service Director, Enhanced and Preventative SD OP - Service Director, Older People and Mental Health HoS CID - Head of Service Children's Innovation and Development	
									2. Develop and deliver Older People's Programme	SD OP	Mar-15	Mar-16	A		
									~~***3. Develop and deliver our Early Help offer***~~	~~***SD E&P***~~	~~***Mar-14***~~	~~***Sep-15***~~	G		
									4 Refresh Looked After Children Placement Strategy	HoS Strat	Mar-15	Nov-15	A		
									5. Developing the Strategy for Building Community Resilience	SD E&P	Nov-15		G		
29	***Failure to address inequalities in the county***	***1. Impact of wider economic and social determinants, which may require mitigation through Council services. 2. Failure to target/promote services to disadvantaged or vulnerable populations, or in areas of deprivation, appropriately for local need.***	***1. Worsening inequalities between geographical areas and/or disadvantaged or vulnerable populations, including health, educational achievement, income.***	***CE***	***1. Council's business plan 2. Committee monitoring of indicators for outcomes in areas of deprivation (following full Council motion) 3. Joint Strategic Needs Assessment, Annual Public Health Report, and Joint Health and Wellbeing Strategy (Health inequalities) 4. Implementation of Health Committee Priority 'Health Inequalities' actions and targetting of Public Health programmes (health inequalities) 5. Accelerating achievement strategy (educational outcomes) 6. Child Poverty Strategy (income) 7. Targetted services e.g: Travellers Liaison, Traveller Health Team, Chronically excluded adults team etc. 8. Multi-agency safeguarding hub 9. Buy with confidence approved trader scheme. 10. Cambridgeshire Inequalties Charter 11. Wisbech 20:20 programme***	***3***	***4***	***12***	***Implementation of health inequalities aspects of Joint Health and Wellbeing Strategy***	***DoPH***	***TBC***			DoPH - Director of Public Health DoCFA - Director and Children, Families and Adults	
									Implementation of Accelerating Achievement strategy	***DoCFA***	***TBC***				
									Monitoring of inequalities indicators by Service Committees	***SMT***	***TBC***				
									Further actions to be added by directorates						

CORPORATE RISK REGISTER

Appendix 2

Version Date: November 2015

Risk No.	Risk Description	Trigger	Result	Owner	Key Controls/Mitigation	Probability	Impact	Score *	Description	Action Owner	Target Date	Revised Target Date	Action Status	Action Owner Acronyms explained	Comments
30	*Failure to deliver Waste savings / opportunities and achieve a balanced budget*	*Failure to: 1) deliver Household Recycling Service savings, 2) realise savings opportunities from waste contracts 3) manage operational risk of unforeseen contractual events*	*1.Savings not delivered and potential increased costs leading to significant budget pressures.*	*ED ETE*	*1. Strong contract management and close working with legal and procurement to reduce unforeseen costs where possible.*	*3*	*5*	*15*	*1. Local Partnership Programme Manager to propose any amendments to the council's contract management arrangements.*	*A&C*	*Dec-15*		*G*	*A&C - Assets and Commissioning*	
					2. The existing contract is in service delivery phase - the protection that is provided by the contract terms and conditions is in place.				*2. Identify training requirements and deliver training to contract management team in A&C to ensure the service is delivered in accordance with the contract*	*A&C*	*Nov-15*		*G*		
					3. Officers working closely with DEFRA, WIDP, Local Partnerships, WOSP and other local authorities				*3. Continue close working with DEFRA, WIDP, WOSP and Local Partnerships on specific issues identified through initial financial and legal reviews to resolve legacy issues with contract*	*A&C*	*Mar-16*		*G*		
					4. The contract documentation apportions some risks to the contractor, some to the authority and others are shared.				*4. Prepare the contract management team to ensure all requirements of the contract are delivered to time and cost*	*A&C*	*Jan-16*		*G*		
					5. Clear control of the risk of services not being delivered to cost and quality by levying contractual deductions and controls if the contract fails or issues arise.				*5. Review contractor's self-reporting to ensure that failures are reported and the relevant deductions made*	*A&C*	*Nov-15*		*G*		
					6. During the procurement process, the authority appointed a lead to negotiate risk apportionment. The results of the negotiation relating to financial risk are captured in the Payment Mechanism (schedule 26) and Project Agreement that form part of the legally binding contract documentation.				*6. Legacy issues resolved*	*A&C*	*Dec-15*		*G*		

SCORING MATRIX (see Risk Scoring worksheet for descriptors)

VERY HIGH (V)	5	10	15	20	25
HIGH (H)	4	8	12	16	20
MEDIUM (M)	3	6	9	12	15
LOW (L)	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT / LIKELIHOOD	VERY RARE	UNLIKELY	POSSIBLE	LIKELY	VERY LIKELY

Risk Owners

CD CS&T - Sue Grace
CE - Gillian Beasley
DoPTT - Christine Reed
DoLPG - Quentin Baker
ED ETE - Graham Hughes
ED CFA - Adrian Loades
DoSD - Bob Menzies
CFO - Chris Malyon

RAG RATING	RISK SCORES
RED rated risk	16 - 25
AMBER rated risk	5 - 15
GREEN rated risk	1 - 4

RISK SCORING MATRIX

VERY HIGH (V)	5	10	15	20	25
HIGH (H)	4	8	12	16	20
MEDIUM (M)	3	6	9	12	15
LOW (L)	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT / LIKELIHOOD	**VERY RARE**	**UNLIKELY**	**POSSIBLE**	**LIKELY**	**VERY LIKELY**

Red scores - excess of Council's risk appetite – action needed to redress, quarterly monitoring
Amber scores – likely to cause the Council some difficulties – quarterly monitoring
Green scores – monitor as necessary

Descriptors to assist in the scoring of risk impact are detailed below

Likelihood scoring is left to the discretion of managers as it is very subjective

IMPACT DESCRIPTORS
The following descriptors are designed to assist the scoring of the impact of a risk:

	Negligible (1)	**Low (2)**	**Medium (3)**	**High (4)**	**Very High (5)**
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
Financial	<£0.5m	<£1.0m	<£5m	<£10m	>£10m
Service provision	(a) Insignificant disruption to service delivery	(a)Minor disruption to service delivery	(a) Moderate direct effect on service delivery	(a) Major disruption to service delivery	(a) Critical long term disruption to service delivery
People and Safeguarding	No injuries	Low level of minor injuries	Significant level of minor injuries and/or instances of mistreatment or abuse of an individual for whom the Council has a responsibility	Serious injury and/or serious mistreatment or abuse of an individual for whom the Council has a responsibility	Death of an employee or individual for whom the Council has a responsibility or serious mistreatment or abuse resulting in criminal charges
Reputation	No reputational impact	Minimal negative local media reporting	Significant negative front page reports/editorial comment in the	Sustained negative coverage in local media or negative	Significant and sustained local opposition to the Council's policies

			comment in the local media	negative reporting in the national media	policies

Agenda Item No: 8

INTERNAL AUDIT PROGRESS REPORT TO 31st DECEMBER 2015

To:	**Audit and Accounts Committee**
Date:	**26th January 2016**
From:	**Head of Internal Audit and Risk Management**
Electoral Division(s):	**All**
Forward Plan Ref:	**N/A**
Key decision:	**No**
Purpose:	**To report on the main areas of audit coverage for the period 31st October 2015 to 31st December and the key control issues arising.**
Key Issues:	**N/A**
Recommendation:	**The Audit and Accounts Committee is asked:**

a) to note and comment on the progress being made against the approved Internal Audit Plan

b) Comments on and approves the in-year changes to the Audit Plan as set out in section 3.2 and Appendix A

c) to note the material findings and themes identified by Internal Audit reviews completed in the period.

	Officer contact:
Name:	Neil Hunter
Post:	LGSS Head of Internal Audit
Email:	neil.hunter@cambridgeshire.gov.uk
Tel:	01223 715317

By the public sector, for the public sector

LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Quarterly update report

Q4

Section 1

1. INTRODUCTION AND SUMMARY OF ACTIVITY

1.1 THE REPORTING PROCESS

This quarterly report provides stakeholders, including Strategic Management Team (SMT) and the Audit & Accounts Committee, with a summary of internal audit activity for the fourth quarter 2015/16 and the proposed coverage for the rest of the year.

1.2 BACKGROUND

The changing public sector environment increasingly necessitates an ongoing re-evaluation of the type and level of coverage required to give stakeholders the appropriate level of assurance on the control environment of the Council.

The Head of Audit must provide an annual internal audit opinion on the entire internal control environment based on an objective assessment of the framework of governance, risk management and control. This includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems. To support this, internal audit must develop and deliver a risk-based plan which takes into account the organisation's risk management framework and includes an appropriate and comprehensive range of work, which is sufficiently robust to confirm that all assurances provided as part of the system of internal audit can be relied upon by stakeholders.

To develop this plan, there must be a sound understanding of the risks facing the Council. The Corporate Risk Register is used as a key source of information, as is the Internal Audit risk assessment of the organisation, and these are used to form the basis of the Internal Audit plan.

The audit plan should be reviewed and robustly challenged by the Senior Management Team, the S151 Officer and the Audit & Accounts Committee.

In the last quarter the audit plan has been re-assessed in line with current risks facing the organisation and updated accordingly. The planning process has necessitated a thorough evaluation of the appropriate level and scope of coverage required to give stakeholders an appropriate level of assurance on the control environment. More importantly it should be noted that an on-going re-evaluation of this will be required throughout the year and, on a quarterly basis, the audit plan will be formally re-assessed and resources re-prioritised towards the areas of highest risk.

This plan is based on *assurance blocks* that each give an opinion on the key control environment elements, targeted towards in-year risks, rather than a more traditional cyclical approach that looks at each system over a number of years. For each *assurance block*, the most appropriate level of coverage necessary to provide the most effective annual assurance opinion and added value to the organisation has been developed. The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, better assurance, safeguarding and *making every penny count*.

1.3 HOW INTERNAL CONTROL IS REVIEWED

There are three elements to each internal audit review. Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to give an assurance on the control environment.

However, controls are not always complied with, which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

At the conclusion of each audit, internal audit assigns three opinions. The opinions will be:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

The following updated definitions are now in use:

Control Environment Assurance	
Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment
Good	There are minor control weaknesses that present low risk to the control environment
Moderate	There are some control weaknesses that present a medium risk to the control environment

Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational impact is reported as major, moderate or minor. All reports with major organisation impacts are reported to SMT, along with the appropriate Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Specifically for the compliance reviews undertaken, the following definitions are used to assess the level of compliance in each individual review:

Opinion for Compliance Audits – Levels of Compliance	
Level	Definitions
High	There was significant compliance with agreed policy and/or procedure with only minor errors identified.
Medium	There was general compliance with the agreed policy and/or procedure. Although errors have been identified there are not considered to be material.
Low	There was limited compliance with agreed policy and/or procedure. The errors identified are placing system objectives at risk.

Section 2

2. FINALISED ASSIGNMENTS

2.1 Since the previous Progress Report to the Audit and Accounts Committee in November 2015, the following audit assignments have reached completion as set out below in table 1:

Table 1: Finalised Assignments

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

2.2 Summaries of the finalised reports with moderate or less assurance are provided in Section 6.

2.3 The following audit assignments have been issued as draft reports and are currently awaiting management response and finalisation, as set out below in table 2:

Table 2: Draft Reports Issued to Management

No.	Directorate	Assignment
1.	Council-wide (Cross-Cutting)	Fees and Charges
2.	LGSS	Budgetary Monitoring & Control
3.	Children, Families & Adults	Home to School Transport
4.	Children, Families & Adults	Pupil Premium Schools Consolidated Report
5.	LGSS	Key Systems Access
6.	Children, Families & Adults	15x individual Schools Financial Value Standard schedules

2.4 Further information on work planned and in progress may be found in the Audit Plan, attached as Appendix A.

3. *AUDIT PLAN 2015/16*

The current audit plan is attached at **Appendix A** to this report. As previously agreed, 242 days have currently been earmarked as unallocated.

3.1 RESOURCE ALLOCATION BY DIRECTORATE

This is a high level summary of the allocation of those resources:

Directorate	Audit Days	%
Children, Families & Adults (CFA)	244	13%
Schools audits (CFA)	226	12%
Economy, Transport & Environment (ETE)	106	6%
Customer Service & Transformation (CST)	14	1%
LGSS	129	7%
Public Health (PH)	54	3%
Cross-Cutting reviews	804	44%
Unallocated audit days	242	13%
	1819	**100%**

The allocation of resources by assurance block is summarised below:

Assurance Area	Risk Area	% Coverage
Safeguarding	Safeguarding	23%
Legal	Legislative non-compliance	32%
Value for Money	Financial Management	37%
	Assets & Capital	12%
	Procurement	22%
	Fraud & Corruption	44%
Strategic Planning	Staff Resources	20%
	Business Planning	18%
	Business Disruption	4%
	Project Management	10%
Information	Information Management	13%
	Information Systems	12%
	Performance Management	15%

Stakeholders	External Partnerships & Co-Working	14%
	Customers & Community	17%
Key Financial Systems	Key Financial Systems reviews	7%

3.2 ADJUSTMENTS TO THE AUDIT PLAN

An audit of Adults Safeguarding was planned for 2015/16, and a Terms of Reference for this review has been circulated. However, a request has been received from the service to defer this audit until 2016/17, as work is currently underway to develop a new Safeguarding process based on the principles of Making Safeguarding Personal (MSP), as a result of the 2014 Care Act. The service is shortly expecting feedback on the MSP process from Cambridge University and the Multi-Agency Safeguarding Hub (MASH). Given the high-risk nature of this area, a decision is sought from the Audit and Accounts Committee as to whether this review should be delayed until later in the year.

As LGSS Internal Audit seeks to continually adapt and respond to business need and emerging risks, several minor changes have been made to the Audit Plan since it was last presented to Committee in November 2015.

4. FRAUD AND CORRUPTION UPDATE

4.1 CRIMINAL PROSECUTION:

Internal Audit has been working with Cambridgeshire Constabulary and the Crown Prosecution Service on a case of suspected fraud by Sarah Lees, the former Children's Workforce Development Manager, which was progressed to prosecution. After Ms Lees moved to a relief contract in October 2013, suspicions were raised and an investigation by LGSS Internal Audit identified that she had been submitting and approving invoices to her own companies over a number of years, for training which should have been delivered as part of her day job, or in some cases was not delivered at all.

After pleading guilty to the charges against her, on the 10th December 2015 Ms Lees received an 12-month suspended sentence, which was suspended for 18 months, and was ordered to complete 200 hours unpaid work within this period. A Proceeds of Crime Act hearing is scheduled for the 14th January 2016, at which the amount Ms Lees will have to pay back will be determined. The Council will be seeking to recoup the full amount of the money which was defrauded, and has also submitted an estimate of the cost of staff time spent on the investigation, with the aim of recovering these costs as well.

4.2 NATIONAL FRAUD INITIATIVE INVESTIGATION - IDENTITY THEFT:

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. LGSS Internal Audit investigated a match found between the Council's Payroll system and the Metropolitan Police's identity fraud document watchlist, and identified that Cambridgeshire County Council is employing an individual who has provided a falsified immigration document as proof of identity.

Human Resources (HR) have been provided with details of this case to allow appropriate action to be taken. If it is identified that there is sufficient evidence to proceed to court, the Council will seek to reclaim salary costs paid to this individual and any other related costs (including legal costs and the cost of re-advertising the post) under the Proceeds of Crime Act 2002.

4.3 NATIONAL FRAUD INITIATIVE INVESTIGATION – PAYE ERROR:

Internal Audit has also completed an investigation into results of the National Fraud Initiative which identified matches between the Council's Payroll and Creditors systems. The investigation did not find any fraud-related issues, but did identify two errors which were made when individuals were paid as suppliers for additional work completed for the Council, rather than through Payroll. This creates a liability for the Council in terms of income tax and national insurance payments due to HM Revenue and Customs (HMRC).

A report has been provided to management on this issue, and Human Resources will calculate the tax burden due and contact HMRC to arrange payment. A communication will be issued by LGSS Internal Audit to remind staff of the Council's regulations about payments to employees.

4.4 DIRECT PAYMENTS:

The Counter Fraud team have recently received a referral from social care regarding concerns that a service user may have misused their Direct Payment. An initial review has indicated that there are grounds for concern, and therefore Internal Audit will be providing support to the service to further investigate this issue.

5 IMPLEMENTATION OF MANAGEMENT ACTIONS

5.1 The outstanding management actions as at December 2015 are summarised in Table 3, which includes a comparison with the percentage implementation reported at the previous Committee (bracketed figures).

Table 3: Outstanding Management Actions

	Category 'Fundamental' recommendations		Category 'Significant' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	27	100% (100%)	59	97% (95%)	86	97% (97%)
Actions due within last 3 months, but not implemented	0	0% (0%)	2	3% (8%)	2	2% (0%)
Actions due over 3 months ago, but not implemented	0	0% (0%)	0	0% (5%)	0	0% (3%)
Totals	27		61		88	

5.2 There are currently no outstanding fundamental recommendations. 2 significant recommendations have not yet been implemented; these relate to the Central Library Enterprise Centre (CLEC) review. A separate report is being provided to Audit & Accounts Committee giving full details of progress against all actions from the CLEC review, including details of these two outstanding recommendations.

6. SUMMARIES OF COMPLETED AUDITS WITH MODERATE OR LESS ASSURANCE

In all three cases set out below, all audit recommendations have been fully accepted; once implemented, these will strengthen the control environment.

A CHILDREN, FAMILIES & ADULTS DIRECTORATE

A.1 FAIRER CONTRIBUTIONS POLICY

Internal Audit has conducted a review of the Adult Social Care Fairer Contributions Policy, which sets out how a service user's financial contribution to their care costs will be assessed and the circumstances in which service users will be charged for their care. This policy and an associated Improvement Plan were approved by the Adults Committee in July 2014, following a review of the previous Adult Social Care Contributions Policy.

Although Internal Audit awarded good assurance for the system of control set out in the policy, moderate assurance was given for compliance with the policy. While the Fairer Contributions Policy primarily aimed to improve the service user experience, rather than improve Cambridgeshire County Council's ability to collect income due from service users, it was anticipated that the improvements brought about by the new policy would lead to an increase in income from client contributions. In practice, however, it was found that a number of aspects of the policy, which were expected to improve the Council's ability to collect income due, were not being applied. It was identified that in most instances, this was due to system or process problems which prevented the policy from being applied; for instance, locality teams had been unable to charge service users for interim beds, as they were not receiving information on interim bed occupation from hospital teams. Appropriate actions to fix these issues and enable full compliance with the policy have been identified and are being, or have been, implemented.

The audit also identified that there is no set timetable for re-assessment of service users by the Financial Assessments team, meaning that many service users are not having their contributions re-assessed regularly. Given that the majority of re-assessments result in an increased contribution from the service user, there would be a financial benefit to the Council of implementing more frequent re-assessments. It has therefore also been recommended that the Financial Assessments team further explore the possible benefits of taking on additional temporary staff to conduct reassessments.

A.2 DIRECT PAYMENTS

Service users with support needs are able to choose to receive a Direct Payment, to enable them to manage their social care arrangements themselves. Internal Audit conducted a review of Direct Payments, which included in-depth review of 56 case files across Learning Disability, Physical Disability, Mental Health and Older People's service, and has provided moderate assurance over the system of controls in place to manage Direct Payments, and limited assurance over compliance with the controls in place.

The current system to flag new Direct Payments for monitoring by the Council's team of Direct Payments Monitoring Officers (DPMOs) relies upon Social Care Business Support teams to identify the DPMOs each time a new Direct Payment is set up. The audit work identified that compliance with this system has been poor, meaning that a minority of Direct Payments have not been subject to any monitoring by the Council. It has been agreed that a new system will be implemented to enable the DPMOs to run monthly reports showing all service users in receipt of Direct Payments, which will ensure that all Direct Payments are subject to regular monitoring.

The audit also identified that in some cases, poor practice by staff in social care makes it difficult for the Council to identify or challenge inappropriate expenditure and misuse of Direct Payments. Although the DPMOs are ideally placed to challenge social workers to address identified issues, at present the team's line management arrangements and procedures do not enable this to take place. Consequently, it has been agreed that line management arrangements for the DPMOs will be reviewed and a full set of written procedures for the team will be created, including a formal procedure to be followed in the event of suspected misuse of Direct Payments.

A.3 PURCHASING & PAYMENTS IN SCHOOLS CONSOLIDATED REPORT

Ten maintained schools were randomly selected for this review of purchasing and payments; where control weaknesses were identified which were specific to individual schools, action plans have been agreed to rectify these issues.

Two key areas were identified where schools would benefit from greater advice and guidance from the Local Authority: Government Procurement Cards (GPCs) and checks to determine employment. As a result of this review, a new guide to GPCs has been produced and published on the Learn Together Portal by LGSS Finance, along with a transaction log and FAQs. LGSS HR Advisory has also issued an advice note to schools providing greater guidance on the checks that must be completed to determine a worker's legal status. The next revision of Cambridgeshire County Council's Financial Regulations for Schools will also be updated with further information on these areas.

In several cases, the review identified a lack of documented evidence that Governors are currently undertaking reviews and monitoring checks of policies and procedures relating to financial management. The Finance team have worked with the Schools

Intervention Service to write a letter which has been sent to all schools, for the attention of the school Governors, providing detail on their financial management responsibilities and the requirement to review policies and procedures and monitor compliance.

7. OTHER AUDIT ACTIVITY

In addition to completing ongoing audit reviews, the Internal Audit team is conducting work in the following areas.

7.1 TRANSITION TO SHAREPOINT

The Internal Audit team has now transitioned to using the Microsoft SharePoint 2013 electronic document storage system, rather than the CCC network drives. By enabling instant document sharing and collaboration between team members based at different sites across LGSS, Cambridgeshire's Audit team now has access to a much greater range of professional resources to support their work.

7.2 AUDIT GUIDANCE AND RESOURCES REVIEW

In conjunction with the launch of the LGSS Direct intranet, Internal Audit are planning a review of the content, guidance and resources available to staff on the LGSS Internal Audit intranet pages. This will seek to increase the profile of Internal Audit and ensure that all staff can access appropriate guidance, particularly relating to areas which currently generate a high proportion of queries to the team.

7.3 KEY FINANCIAL SYSTEMS REVIEWS

The annual Key Financial Systems reviews have been launched by the LGSS Internal Audit team. These reviews are being conducted jointly by Internal Audit staff across the Cambridgeshire and Northamptonshire offices, to maximise the efficiency with which the work can be carried out.

APPENDIX A

CCC INTERNAL AUDIT PLAN 2015/16

RISK REGISTER / ASSURANCE FRAMEWORK:		Area	Review type	Priority	Qtr	Days
CFA	Domiciliary Care - Missed Calls	CFA	Assurance	In Progress	1	15
CFA	Looked after Children (LAC) Placements Strategy	CFA	Assurance	In Progress	3	5
CFA	Quality Assurance	CFA	Assurance	In Progress	2	18
CFA	Appointeeships (NCC & CCC)	CFA	Assurance	In Progress	2	13.5
CFA	Care Act	CFA	Assurance	Complete	1	5.93
CFA	Home to School Transport	CFA	Assurance	In Progress	2	25
CFA	Demand Management - CFA	CFA	Assurance	In Progress	4	9
CFA	Care Home Project	CFA	Embedded Assurance	In Progress	3	4
CFA	Care Act/Transforming Lives	CFA	Embedded Assurance	Medium	4	5
CFA	Troubled Families Grant	CFA	Grant Certification	High	2	4
CFA	Think Autism Capital Grant	CFA	Grant Certification	Complete	2	1.98
CFA	Community Capacity Grant	CFA	Grant Certification	Complete	2	4.17
ETE	Waste Private Finance Initiative (PFI)	ETE	Open Book Review	Complete	2	7.47
ETE	Street Lighting PFI	ETE	Open Book Review	In Progress	4	13
ETE	Highways Revaluation	ETE	Assurance	Complete	2	9.19
ETE	Total Transport Pilot (Cambridgeshire Future Transport) CFT	ETE	Embedded Assurance	Complete	2	18
ETE	City Deal	ETE	Embedded Assurance	Complete	3	22
ETE	Additional Highways Maintenance Funding	ETE	Grant Certification	Complete	3	13.4
ETE	Local Transport Capital Block Funding	ETE	Grant Certification	Complete	3	0
ETE	Bus Service Operators Grant	ETE	Grant Certification	Complete	3	5.26
ETE	Local Sustainable Transport Fund	ETE	Grant Certification	Complete	1	12.5

CC	Business Planning - Benefits Realisation	CST	Assurance	In Progress	2	13.5
	Fees and Charges	Cross-Cutting	Assurance	In Progress	3	25
PH	Public Health Grant	PH	Grant Certification	Complete	2	29.6
	Pilot Work with Peterborough City Council	PH	Assurance	Complete	2	19
LGSS	PSN Compliance and IT General Controls	LGSS	Assurance	High	2	0
	IT Contract Value for Money	LGSS	Assurance	Medium	3	0
	IT - Project Management	LGSS	Assurance	In Progress	3	9
	IT - Next Generation Enterprise Resource Planning (ERP)	LGSS	Embedded Assurance	In Progress	3	0
	Budget Monitoring & Control	LGSS	Assurance	In Progress	3	23.5
	Capital Programme	LGSS	Assurance	In Progress	3	13.5
	Procurement	LGSS	Assurance	Medium	3	10
	Treasury Management	LGSS	Key Financial Systems	In Progress	3	0
	Accounts Receivable	LGSS	Key Financial Systems	In Progress	3	20
	Purchase to Pay	LGSS	Key Financial Systems	In Progress	3	23
	Payroll	LGSS	Key Financial Systems	In Progress	3	15
	Pensions	LGSS	Key Financial Systems	In Progress	3	0
	General Ledger	LGSS	Key Financial Systems	In Progress	3	0
	Bank Reconciliation	LGSS	Key Financial Systems	In Progress	3	0
	IT General Controls	LGSS	Key Financial Systems	In Progress	3	0
Compliance Reviews	CCC Safe Recruitment	Cross-Cutting	Compliance	In Progress	4	10
	Social Care Recruitment & Retention	CFA	Compliance	Complete	2	1
	Direct Payments Compliance	CFA	Compliance	High	3	5
	Framework Contracts Quarterly Reviews	Cross-Cutting	Compliance	In Progress	2	12
	Duplicate Payments	Cross-Cutting	Compliance	Complete	2	5
	Key Systems Access Controls	LGSS	Compliance	In	2	3.5

				Progress		
	Cash & Cheque Payments (Payment Methods)	Cross-Cutting	Compliance	In Progress	2	13.5
Contingency	Vulnerable Clients Monies Management	CFA	Assurance	Complete	1	13.1
	Older People's Finance & Performance	CFA	Embedded Assurance	Complete	1	2.02
	Section 106 & Community Infrastructure Levy (CIL)	ETE	Assurance	Complete	1	1.09
	Health & Safety	LGSS	Assurance	Complete	2	10.5
	Public Health - Health Checks	PH	Assurance	Complete	1	1.59
	Better Care Fund	CFA	Assurance	Complete	1	8.51
	Traded Services	CFA	Assurance	Complete	1	2.39
	Fairer Contributions (Care Income)	CFA	Assurance	Complete	1	20.7
	Direct Payments	CFA	Assurance	Complete	1	40
	Waste PFI	ETE	Assurance	Complete	1	1.58
	Better Bus Area Fund	ETE	Grant Certification	Complete	1	1.76
	Pupil Premium Consolidated Report	Schools	Assurance	In Progress	1	6.04
	Consolidated Schools Safe Recruitment	Schools	Assurance	Complete	1	4.86
	Consolidated Schools Purchasing & Payments	Schools	Assurance	Complete	1	4.49
	Governance of Pupil Premium 2014 - 15	Schools	Assurance	Complete	1	10
Schools	Schools Financial Value Standard (SFVS)	Schools	Assurance	In Progress	2	40
	Safe Recruiting	Schools	Assurance	In Progress	2	35
	Schools Thematics	Schools	Assurance	In Progress	2	90
	Schools Causing Financial Concern	Schools	Assurance	In Progress	2	10
	Dissemination of Audit Findings	Schools	Assurance	In Progress	2	15
Governance		Cross-Cutting	Governance	High	3	40
Fraud	Special Investigations (SI)	Cross-Cutting	Investigations	Medium		130
	SI - Carer Payments (Nevin)	CFA	Investigations	In Progress	1	6
	SI - Swavesey Kids Club	CFA	Investigations	Complete	1	0.83
	SI - Fenland LDP Support	CFA	Investigations	Complete	1	1.15
	SI - Greenside Private	CFA	Investigations	Complete	1	4.73

	Pension					
	SI - Fenland LDP Direct Payments	CFA	Investigations	Complete	1	2.09
	SI - Deprivation of Capital	CFA	Investigations	In Progress	1	1
	SI - Concessionary Fares	ETE	Investigations	Complete	5	1.05
	SI - Jeavons Wood	Schools	Investigations	Complete	1	5.41
	SI - Estover Complaint	Cross-Cutting	Investigations	Complete	1	10.9
	SI - Workforce Development	CFA	Investigations	Complete	1	13
	SI - CLEC	Cross-Cutting	Investigations	Complete	2	24
	SI - Linton Heights	Schools	Investigations	Complete	2	4.95
	Preventative / Proactive Anti-Fraud Control Work	Cross-Cutting	Investigations	Medium		195
	Preventative / Pro-active Anti Fraud (PAF) - Whistleblowing Policy	Cross-Cutting	Investigations	Complete	1	3.3
	PAF - St Luke's Working Party	CFA	Investigations	In Progress	1	4
	National Fraud Initiative (NFI)	Cross-Cutting	Investigations	Medium		30
Strategic Risk Management		Cross-Cutting	Risk Management	High		75
Advice	Advice & Guidance, Follow Ups	Cross-Cutting	Advice & Guidance	Medium		80
	Other Chargeable Work	Cross-Cutting	Advice & Guidance	Medium		150
Cancelled Reviews	LGSS Law	LGSS	Assurance	Cancelled	1	0.81
	15/16 - Compliance - High Value Contract	Cross-Cutting	Compliance	Cancelled	1	0.54
	Adult Safeguarding	CFA	Assurance	Deferred?	3	8
	Business Continuity Plans	Cross-Cutting	Compliance	Cancelled	4	0
	Inter-Agency Information Sharing	CFA	Compliance	Deferred	3	0
	Civil Contingencies Act - Emergency Planning	CST	Compliance	Cancelled	2	0
	Healthy Child Programme	PH	Embedded Assurance	Cancelled	2	3.73
	Reablement Transfer	CFA	Embedded Assurance	Cancelled	2	0.34
	Value for Money (VFM) - Year End Transactions	Cross-Cutting	Compliance	Cancelled	3	0
	Extra Care Housing	CFA	Compliance	Cancelled	3	0
	Highway Services Contract	ETE	Open Book Review	Cancelled	2	0

Unallocated Contingency		Unallocated			242
					1819

Agenda Item No: 9

CAMBRIDGE LIBRARY ENTERPRISE CENTRE REVIEW - UPDATE ON ACTION PLAN PROGRESS TO DATE

To:	**Audit and Accounts Committee**
Date:	**26th January 2016**
From:	**Head of Internal Audit and Risk Management**
Electoral Division(s):	**All**
Forward Plan Ref:	**N/A**
Key decision:	**No**
Purpose:	**To report on progress to date with implementing the recommendations set out in the Cambridge Library Enterprise Centre Review Action Plan.**
Key Issues:	**N/A**
Recommendation:	**The Audit and Accounts Committee is asked:** **a) to noteand comment on the progress being made against the Cambridge Library Enterprise Centre ReviewAction Plan**

	Officer contact:
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CLEC Action Plan

Follow up of actions – at January 2016.

	Key Actions	Timescale & Owner	Update – January 2016
1.	**<u>Commercial Proposals Protocol</u>:** **Increasingly, the public sector is competing to attract inward investment, to bring jobs and other economic opportunities to their local area. Cambridgeshire County Council will need to develop commercial skills to ensure innovation and inward investment opportunities are maximised, while still maintaining the principles of transparency and openness. A clear protocol is required to enable officers to develop commercial proposals which involve working alongside the private and voluntary sectors to enhance services and minimise the impact of austerity cuts on the public.**		
1.1	An outline Commercial Proposals protocol has been developed, to enable officers to develop commercial proposals which involve working alongside the private and voluntary sectors.Auditrecommend that this draft protocol is referred to the General Purposes Committee for their consideration and to agree a final version, which officers must follow if they are approached by or approach an external organisation with a commercial proposal.	**General Purposes Committee 31/12/2015** 😐	*<u>Update received from Executive Secretary to Chief Finance Officer, 18/12/15</u>:* The Chief Finance Officer will be the lead on this action and will take this forward in the new year.
2.	**<u>Confidentiality</u>:** **Although Confidentiality Agreements are an essential tool in many circumstances, clear guidance should be in place to establish the content of agreements and the circumstances under which they are appropriate.**		

	Key Actions	Timescale & Owner	Update – January 2016
	This guidance should establish clear lines of authorisation for entering into confidentiality agreements, which should include members, as well as a process for recording all such agreements. The guiding principle for the authority must be to maximise the extent to which information may be shared with members and the public.		
2.1	An outlineConfidentiality Agreements Policy has been developed, to enable officers to develop commercial proposals which involve working alongside the private and voluntary sectors. Audit recommend that this draft protocol is referred to the General Purposes Committee for their consideration and to agree a final version, which officers must follow.	**General Purposes Committee 31/12/2015** ☹	No update on this action point. No individual lead has been identified and the draft protocol has not been referred to the General Purposes Committee. Internal Audit have been working to identify an owner for the action, but as yet no officer has been found who has agreed to take this forward and refer the protocol to GPC.
2.2	Current Council guidance for members is not entirely clear with regards to items which are taken to Spokes meetings and marked confidential; while it appears that there is an expectation that the relevant Executive Director should make it clear whether Spokes can circulate information to their groups, this is not clearly set out in the relevant guidance on the role of Spokes. The guidance should therefore be updated to reflect this.	**Monitoring Officer 30/11/2015** 😐	*Update received from Democratic Services Manager, 09/12/15:* The Member Development Panel, at its meeting held on 26th November 2015, considered the recommendations arising from the Cambridge Library Enterprise Centre (CLEC) review which related to the role of Spokes. Guidance on the role and purpose of Spokes meetings, which includes a section on confidential items, has been prepared. It has already been agreed by SMT and is currently out for comment to all Members. The Member Development Panel will meet on 26 January 2016 to consider comments.
2.3	The exclusion of access by the public to meetings where it is considered that confidential information would be disclosed should be kept to a minimum. Where the nature of the proceedings means that it would be	**Monitoring Officer 30/11/2015**	**COMPLETED** *Update received from Democratic Services Manager 09/12/15:*

	Key Actions	Timescale & Owner	Update – January 2016
	possible to have a public discussion regarding a point(s) of principle on a matter, followed by a confidential discussion regarding specific confidential details, this approach should be adopted.	☺	This is the current process. Any proposal from a Service for an item to be confidential needs to be cleared by the Monitoring Officer who is very challenging. Democratic Services Officers are aware of this and advise Services of this requirement. We also encourage them to include any confidential information as a confidential appendix so that the main report remains non-confidential. It is believed that the Chief Executive is also looking at a process via Staffing and Appeals Committee and General Purposes Committee which would identify when an item ceased to be confidential (potentially sometime after the meeting) and could be revealed to the public.
3.	**<u>Project Management</u>:** **The impact of budget cuts means that the Council is likely to continue to engage in projects alongside the private sector. Project management methodology in use at Cambridgeshire should be challenged and, if necessary, refined to ensure that it is applicable to projects undertaken with commercial partners.**		
3.1	A review should be conducted of project management methodology in use at Cambridgeshire, to ensure that it is comprehensive and relevant to projects undertaken with commercial partners, and states that every individual project should have clear governance arrangements in place, including a project team with formal responsibilities for progressing the project, and that respective Committees should be regularly updated on the projects taking place in their area.	**Review of project management methodology: Director: Customer Service & Transformation 01/02/2016**	*<u>Update received from Director of Customer Service and Transformation, 07/01/16:</u>* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to

	Key Actions	Timescale & Owner	Update – January 2016
		☺	Project Managers etc. accordingly. The revised guidance will be made available on Camweb. Committees will receive regular updates on large and/or politically sensitive projects. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.
3.2	The Council's current Gateway Review Process functions as a system for resource allocation and prioritisation. The process does not include any provision for peer review or challenge; it does not require circulation of a Business Case for comment; and it focuses purely on the initiation of a project. This means that review of projects which are underway but experiencing delays or overruns is undertaken only by officers who are internal to the service in which the project is taking place. Internal Audit recommend that a review of the Gateway Review Process and project management protocols should be conducted, to ensure that there is a robust process for independent review and challenge of projects undertaken by the Council, which enables comment and challenge from officers outside the service area in which the project is taking place, and from appropriate members.	**Review to be undertaken by SMT 01/02/2016** ☺	*Update received from Director of Customer Service and Transformation, 11/01/16:* The review of the project management guidance will consider these issues and the response will be part of the updated guidance. A Business Case template, which requires sign off from Finance, has been introduced to support the business planning process; this is being reviewed to see if it can also be used at 'Gate 0' as part of the project management process. The Corporate Capacity Review launched by the new Chief Exec will consider how best to re-configure transformation/project management resources across the council. As part of this, consideration will be given to the role of peer review of projects, both at the outset and when they are underway, and the criteria against which this peer review takes place including the role of members.
3.3	Services which receive Gateway Review forms should respond with their comments within the allotted time. Where responses are not received from services even after chasing by the Service Transformation Team, this should be recorded by the team and reviewed on a six-monthly basis, to enable problem areas to be identified and issues escalated to the appropriate Service Director.	**Director: Customer Service & Transformation 31/12/2015**	*Update received from Director of Customer Service and Transformation, 07/01/16:* Turnaround times will be monitored and reviewed from February 2016, by the Service Transformation Team, and escalated accordingly.

	Key Actions	Timescale & Owner	Update – January 2016
		😐	
3.4	Where a project is managed jointly by Cambridgeshire County Council and an external partner, Cambridgeshire should always maintain and regularly review an internal risk register that focuses on the risks which are specific to the Council, even if this is in addition to a shared risk register for the project.	**Updated guidance to be included in the review of project management methodology (Director: Customer Service & Transformation 01/02/16); responsibility for implementation lies with the Senior Responsible Officer (SRO) for each project/programme.** ☺	*<u>Update received from Director of Customer Service and Transformation, 07/01/16:</u>* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion, the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.
3.5	When projects are in development, the sensitivity of the Purdah period should be taken into account in project timelines.	**Updated guidance to be included in the review of project management methodology (Director: Customer Service & Transformation**	*<u>Update received from Director of Customer Service and Transformation, 07/01/16:</u>* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to

	Key Actions	Timescale & Owner	Update – January 2016
		01/02/16); responsibility for implementation lies with the Senior Responsible Officer (SRO) for each project/programme. ☺	Project Managers etc. accordingly. The revised guidance will be made available on Camweb. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.
4.	**<u>Options Appraisal, Market Research & Procurement:</u>** **Options appraisals should be undertaken at the earliest opportunity in deciding whether proposals may be worth pursuing, and should be subject to continued challenge throughout the process by officers and, where appropriate, members, as new information becomes available and the market changes.**		
4.1	Officers would benefit from further guidance regarding options appraisals. In cases where it is established that a service concession means that tendering is not required, Best Value may be established through conducting a thorough options appraisal. The guidance should include the following key points: ➢ Basic market research must be conducted by Council officers when considering new commercial proposals, at the initial stages of considering whether to pursue a project and before work begins to develop a full Business Case.	**Options Appraisals Best Practice guidance to be included in the review of project management methodology (Director: Customer Service & Transformation 01/02/2016)**	*<u>Update received from Director of Customer Service and Transformation, 07/01/16:</u>* Investigating feasibility of obtaining advice and guidance from other organisations.

	Key Actions	Timescale & Owner	Update – January 2016
	➢ On the basis of the research carried out, options appraisals should be drawn up; again this must be undertaken at the very earliest stages of a project. ➢ Options appraisals and supporting market research must be continually challenged throughout the process of a project, and should be reactive to market changes and new information becoming available. ➢ Market research should always involve a thorough review of: whether there is already any similar provision available in the local market; the potential impact on the local market of the proposals; and consideration of whether there is likely to be sustained demand for the proposed services. ➢ All options appraisals should include thorough exploration of the 'do nothing' option. ➢ Options should be appraised in light of their financial benefits; their non-financial benefits; their impact on the organisation and stakeholders; the risks relating to each option; and their resource requirements, in line with the CCC Business Case template. ➢ Options presented to Committees must be comparable; when financial projections are produced to show the financial effect of different options over a number of years, it is crucial that the figures for all options are prepared on the same basis. Similarly, the analysis of risks and benefits for each possible option should be consistent. Officers would benefit from referring to the extant Cambridgeshire County Council Business Case template, which includes templates for options appraisal. ➢ The opportunity cost of each project must be shown as part of the	☺	

	Key Actions	Timescale & Owner	Update – January 2016
	options appraisal, i.e. if existing income is foregone, this must be taken into account. ➢ Where options are considered but rejected at an early stage and not worked up in detail, the reasons for this should be set out clearly.		
4.2	All risks relating to a project should be reported to the relevant Committee even where officers feel that these risks are likely to be tolerable, to enable members to make an informed decision to accept or reject the risk.	**Updated guidance to be included in the review of project management methodology (Director: Customer Service & Transformation 01/02/16); responsibility for implementation lies with the Senior Responsible Officer (SRO) for each project/programme.** ☺	*Update received from Director of Customer Service and Transformation, 07/01/16:* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb.Committees will receive regular updates on risks / issues for large and/or politically sensitive projects. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.
4.3	The expected impact of commercial proposals on the current local market should always be reported to the relevant Committee, to enable members to make an informed decision.	**Updated guidance to be included in the review of project management**	*Update received from Director of Customer Service and Transformation, 07/01/16:* The implementation of the new Business Case template (for

	Key Actions	Timescale & Owner	Update – January 2016
		methodology (Director: Customer Service & Transformation 01/02/16); responsibility for implementation lies with the Senior Responsible Officer (SRO) for each project/programme. ☺	projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.
5.	**Engagement with Members**: **Now that the transition from the Cabinet system to a Committee model of governance is complete, both officers and members need to ensure that new ways of working are fully embedded. Whilst Committees only take papers on decisions, due to their high workload, progress on key projects and negotiations should be a standing agenda item for Spokes meetings. Spokes can then brief their Group accordingly, and this will ensure that members are able to engage throughout the process of developing major projects. Additionally, there needs to be further guidance available for officers and members setting out what constitutes a key decision.**		
5.1	It is recommended that a review is undertaken of any remaining projects and proposals which were initiated under the previous Cabinet system, to confirm that all such projects have now submitted a report to the relevant	**Democratic Services Manager 31/12/2015**	*Update received from Democratic Services Manager, 09/12/15:* Two Democratic Services Officers are currently working on this

	Key Actions	Timescale & Owner	Update – January 2016
	Committee or Spokes meeting, and that the appropriate members are therefore aware of all projects which are underway.	😐	and an oral update on progress will be provided at the Audit & Accounts Committee meeting on 26th January, as this has been a very labour-intensive piece of work.
5.2	Additional guidance regarding what constitutes a Key Decision should be produced, particularly with regards to the question of what constitutes "significant" impact on the community living or working in an area of Cambridgeshire. Guidance should also clearly state that if there is any doubt regarding whether or not a decision should be considered a Key Decision, officers should contact the Monitoring Officer. Key Decisions must be advertised in the Council's Forward Plan as per the procedure set out in the Constitution (at 4.2.13).	**Monitoring Officer 31/12/2015** 😐	*Update received from Democratic Services Manager, 09/12/15:* Key Decisions are advertised in the Council's Forward Plan as per the procedure set out in the Constitution. If any officer is unsure, the Forward Plan contains the following sentence: - Further information on the forward plan is available from Michelle Rowe, Democratic Services Manager. Michelle.Rowe@cambridgeshire.gov.uk, (01223) 699180. The Democratic Services Manager will then contact the Monitoring Officer if appropriate. This action is still being progressed; we are currently researching what other authorities do regarding guidance in relation to what constitutes a Key Decision and working with the Monitoring Officer on this.
5.3	Where projects of a commercial nature are underway, but have not yet progressed to the point of requiring a decision paper to be taken to the relevant Committee, updates on progress should be a standing agenda item for Spokes meetings, to enable continued member oversight and engagement with the development of major projects.	**Updated guidance to be included in the review of project management methodology (Director: Customer Service &**	*Update received from Director of Customer Service and Transformation, 07/01/16:* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio

	Key Actions	Timescale & Owner	Update – January 2016
		Transformation 01/02/16); responsibility for implementation lies with the Senior Responsible Officer (SRO) for each project/programme. ☺	leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb. Spokes meetings will receive regular updates on large and/or politically sensitive projects. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.
5.4	When reporting to Committee regarding proposed projects which involve working with an external organisation, members should be provided with sufficient information about the proposed partner organisation to enable them to come to an informed decision, including information on due diligence which has been carried out in relation to the organisation.	**Updated guidance to be included in the review of project management methodology (Director: Customer Service & Transformation 01/02/16); responsibility for implementation lies with the Senior Responsible Officer (SRO) for each project/programme.** ☺	*Update received from Director of Customer Service and Transformation, 07/01/16:* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb.Committees will receive regular updates on large and/or politically sensitive projects. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.

	Key Actions	**Timescale & Owner**	**Update – January 2016**
5.5	As per the Council's Constitution, local members should be kept informed about matters affecting their divisions during the formative stages of policy development.	**As above.** ☺	*Update received from Director of Customer Service and Transformation, 07/01/16:* This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc accordingly. This is the responsibility of the SRO / Project Board to ensure this is undertaken.
5.6	Spokes must be briefed on proposals in time to consult with their Group members.	**As above.** ☺	*Update received from Director of Customer Service and Transformation, 07/01/16:* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb.Spokes will be briefed on large and/or politically sensitive projects. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.
5.7	If a proposal is received positively at a Spokes meeting but, upon discussing the proposal further with their group, Spokes identify that there are concerns or issues which are likely to prohibit their party's support for the proposal at Committee, it would be useful for members to communicate this with the key officers concerned, who will then have an opportunity to address any concerns and provide additional information	**General Purposes Committee 30/11/2015**	No update on this action point. No individual lead has been identified and the action has not been referred to the General Purposes Committee or communicated to Members.

	Key Actions	Timescale & Owner	Update – January 2016
	to the Committee meeting.	☹	Democratic Services have recommended that a Member or Members take ownership of this action.
5.8	Democratic Services has conducted annual training for Committee Chairs, Vice Chairs and Spokes on the 25th August 2015, regarding the respective roles and responsibilities of each post. Following this report, Democratic Services are requested to review the content of this training and make it available to all members, for reference.	**Democratic Services Manager 30/11/2015** ☺	**COMPLETED** *<u>Update received from Democratic Services Manager, 09/12/15:</u>* The training provided for Chairs, Vice-Chairs and Spokes on 25 August 2015 was effectively a workshop looking at their role descriptions. The Member Development Panel has analysed feedback from the workshop and considered revised role descriptions. The Panel e-mailed these role descriptions to all Members for comment. The Panel did not therefore consider it appropriate to hold this particular training event for all Members.
5.9	This review has identified that members require a common understanding of key processes for challenge, including the process by which they may submit items for consideration at Spokes and Committee meetings, how to initiate a call-in, and the question of whether a decision may be rescinded by a Committee or whether this is the responsibility of Full Council. Democratic Services are requested to provide additional training and resources for members, to address these points.	**Monitoring Officer & Democratic Services Manager 31/12/2015** ☺	*<u>Update received from Democratic Services Manager, 09/12/15:</u>* The Member Development Panel considered draft guidance for Members on engaging in the democratic process at its last meeting. It was noted that the action plan arising from the CLEC review had recommended that additional training and resources be provided for Members to provide clarity on key mechanisms for engaging in the democratic process, including how to initiate a call-in, how to request inclusion of an item on a committee agenda etc. Clarification had also been sought on whether a committee could rescind a decision or whether this was reserved to Full Council. The Panel noted that the Constitution already provided for committees to rescind a decision made within the past 6 months and that the Constitution and Ethics Committee, at its meeting held on 19th

	Key Actions	Timescale & Owner	Update – January 2016
			November 2015, had agreed to recommend Council on 15th December that such rescissions should be on a notice of motion signed by at least half the members of the relevant committee. The Member Development Panel agreed to publish the guidance on the new Committee Management System, when available, so that it is easily accessible for reference by all Members and to place a copy of the guidance for reference purposes in each political group room.
6.	<u>**Public Consultation**</u>**:** **Officers will always need to conduct work on new proposals before consultation with the public is possible, but the philosophy of the Council must be to engage with the public as soon as possible. The public and their contributions should be considered a valuable resource. Public consultation must feed into the Community Impact Assessment for all projects, which must be made available to the relevant Committee for their consideration as part of the decision-making process.**		
6.1	A Member Review Group is currently looking at the County Council's approach to consultation, with a view to revising the available advice and guidance, and member involvement. The legal requirements around consultation have recently been reviewed with Legal Services, as a result of which the Council's Research and Performance team will be running a member seminar on November 13th on the topic, to update member understanding. As part of this review, it is recommended that further guidance is made available to officers which gives additional information on: ➢ Circumstances under which the Council would expect public	**Member Review Group & Research and Performance Team Manager 01/02/2016** ☺	<u>*Update received from Research and Performance Team Manager, 11/01/16:*</u> New consultation guidelines currently being drafted. <u>*Update received from Research and Performance Team Manager 05/11/15:*</u> In regard to consultation the member working group considered this item earlier in the week. Members also

	Key Actions	Timescale & Owner	Update – January 2016
	consultation to take place prior to a decision being made by Committee; ➢ Guidance on when consultation should be carried out in relation to the signing of contracts; ➢ Legal requirements around consultation; ➢ Guidance on the duration, timing and format of consultation which might be expected in different circumstances.		wanted: • Guidance to go to GPC for sign off (subject to clarification around if GPC can sign off on CCC policy guidance given their powers). The ideal date would be February GPC. • As a group they'd want to evaluate the implementation of the Consultation Guidance in its entirety later in the year.
6.2	Guidance should also be made available for the public, to clarify the level, duration and timing of public consultation they can expect from the Council in relation to different types of decision to be made.	**Research & Performance Team Manager 01/02/2016** ☺	*Update received from Research and Performance Team Manager, 11/01/16:* New consultation guidelines currently being drafted.
6.3	Plans for public consultation on Council projects should be discussed at Spokes and with the relevant local member(s), to enable members to give their input on the level of consultation required, and the milestones at which the community and other stakeholders should be engaged.	**Updated guidance to be included in the review of project management methodology (Director: Customer Service & Transformation 01/02/16); responsibility for**	*Update received from Director of Customer Service and Transformation, 07/01/16:* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb.Spokes and relevant local members

	Key Actions	Timescale & Owner	Update – January 2016
		implementation lies with the Senior Responsible Officer (SRO) for each project/programme. ☺	will be briefed on large and/or politically sensitive projects. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.
6.4	Consultation on projects must be held at a sufficiently early stage to be meaningful in shaping the proposed projects.	**Updated guidance to be included in the review of project management methodology (Director: Customer Service & Transformation 01/02/16); responsibility for implementation lies with the Senior Responsible Officer (SRO) for each project/programme.** ☺	*Update received from Director of Customer Service and Transformation, 07/01/16:* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken.This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb.Committees will received regular updates on large and/or politically sensitive projects. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.

	Key Actions	Timescale & Owner	Update – January 2016
6.5	When a Key Decision is going to be made, information regarding consultation carried out and the results obtained needs to be available to members at the point that they are requested to make the decision, even if this means that a two-stage approach to consultation needs to be taken, with the public consulted first in a general way about proposals and then secondly about the detail of the proposals. Where this two-stage approach is taken, it must be ensured that final decisions are not taken with regards to the detailed proposals until consultation has been completed.	**As above**	*Update received from Director of Customer Service and Transformation, 07/01/16:* Consultations will be undertaken in accordance with the Consultation Guidance documented by the Research and Performance Team.This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly.The revised guidance will be made available on Camweb. It is the responsibility of the SRO / Project Board to ensure that the guidance / templates are utilised.
6.6	Committees should be given the details of proposed public consultation in relation to decisions which they are being asked to make, specifically the timing and duration of the consultation, and the level of input which the public will be able to make.	**As above**	*Update received from Director of Customer Service and Transformation, 07/01/16:* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb. Committees will receive regular updates on large and/or politically sensitive projects. It is the responsibility of the SRO / Project Board to ensure that the guidance and templates are utilised.
6.7	Where projects are included in the Council's Business Plan in the knowledge that there is a possibility that they will be carried out by or in	**As above**	*Update received from Director of Customer Service and Transformation, 07/01/16:*

	Key Actions	Timescale & Owner	Update – January 2016
	partnership with a commercial or third sector organisation, this should be made clear in the description of the scheme in the Business Plan.	☺	This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc accordingly. This is the responsibility of the SRO / Project Board to ensure this is undertaken. The Business Planning Coordination group will be advised of this requirement.
6.8	Public consultation must feed into the Community Impact Assessment for all projects, which must be made available to the relevant Committee for their consideration as part of the decision-making process.	**As above** ☺	*<u>Update received from Director of Customer Service and Transformation, 07/01/16:</u>* Public consultations will be carried out in accordance with the Council's consultation requirements. Consultations will be undertaken for projects which propose significant change or impact on the public. Committees will be made aware of public consultation which will be incorporated into CIA's for example on large and/or politically sensitive projects.
7.	**<u>Business Cases</u>:** **Robust individual Business Cases must be produced for new commercial proposals, and be subject to challenge from the appropriate professional officers within the Council, and by members.**		
7.1	The Council's standard Business Case template should be completed for all projects.	**Updated guidance to be included in the review of project management methodology**	*<u>Update received from Director of Customer Service and Transformation, 07/01/16:</u>* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure

	Key Actions	Timescale & Owner	Update – January 2016
		(Director: Customer Service & Transformation 01/02/16); responsibility for implementation lies with the Senior Responsible Officer (SRO) for each project/programme. ☺	this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb. It is the responsibility of the SRO / Project Board to ensure the guidance and templates are utilised.
7.2	When reporting to Committee regarding proposed projects, officers should either provide the Business Case itself as an appendix to the report or ensure that the high-level headings in the Council's Business Case template are all covered. If an area of the template is deemed not to be relevant to the project in question, this should be highlighted to members. If the project is already underway, the current risk log for the project should also be provided to members.	**As above** ☺	*<u>Update received from Director of Customer Service and Transformation, 07/01/16:</u>* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb. Committees will receive regular updates on large and/or politically sensitive projects. It is the responsibility of the SRO / Project Board to ensure the guidance and templates are utilised.
7.3	As per the Council's Scheme of Financial Management (s.5), any new revenue or capital project costing more than £160,000 shall be appraised	**As above**	*<u>Update received from Director of Customer Service and Transformation, 07/01/16:</u>*

	Key Actions	Timescale & Owner	Update – January 2016
	as to its financial, human resources, property and economic consequences and the appraisal approved by the relevant Strategic Finance Manager before detailed budgetary provision is made. The completion of this appraisal process should be confirmed in reporting to the relevant Committee.	☺	The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance will be made available on Camweb. It is the responsibility of the SRO / Project Board to ensure the guidance and templates are utilised.
7.4	Officers should be reminded of the Business Case template and other key project management resources available, through an awareness-raising exercise on the CamWeb staff intranet.	**As above** ☺	*Update received from Director of Customer Service and Transformation, 07/01/16:* The implementation of the new Business Case template (for projects aligned to the Business Planning Process) will ensure this is undertaken. This will be incorporated within the current Project Management guidance. Upon completion the Portfolio leads will be advised of the amended guidance to cascade to Project Managers etc. accordingly. The revised guidance and templates will be made available on Camweb. It is the responsibility of the SRO / Project Board to ensure the guidance and templates are utilised.

Agenda Item No. 10

INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING30THNOVEMBER2015

To:	**Audit & Accounts Committee**
Date:	**26th January 2016**
From:	**Chief Finance Officer**
Electoral division(s):	**All**
Forward Plan ref:	**N/A** *Key decision:* **N/A**
Purpose:	**To present financial and performance information to assess progress in delivering the Council's Business Plan.**
Recommendations:	**The Committee is asked to:**

Note that the General Purposes Committee on 2nd Februaryis asked to:

a) Analyse resources and performance information and note the remedial action currently being taken and considers if any further remedial action is required.

Officer contact:		*Member contact:*	
Name:	Chris Malyon	Name:	Councillor S Count
Post:	Chief Finance Officer	Chairman:	General Purposes Committee
Email:	Chris.Malyon@cambridgeshire.gov.uk	Email:	Steve.Count@cambridgeshire.gov.uk
Tel:	01223 699796	Tel:	01223 699173

1. PURPOSE

1.1 To present financial and performance information to assess progress in delivering the Council's Business Plan.

2. OVERVIEW

2.1 The following table provides a snapshot of the Authority's forecast performance at year end by value, RAG (Red, Amber, Green) status and direction of travel (DoT).

Area	Measure	Forecast Year End Position (Oct)	Forecast Year End Position (Nov)	Current Status	DoT (up is improving)
Revenue Budget	Variance (£m)	-£1.7m	-£3.6m	Green	⬆
Basket Key Performance Indicators	Number at target (%)	44% (8 of 18)	39% (7 of 18)[1]	Amber	⬇
Capital Programme	Variance (£m)	-£41.3m	-£46.3m	Amber	⬇
Balance Sheet Health	Net borrowing activity (£m)	£426m	£414m	Green	⬆

[1]The number of performance indicators on target reflects the current position.

2.2 The key issues included in the summary analysis are:

- The overall revenue budget position is showing a forecast year end underspend of £3.6m (-1.0%), which is anincrease of £1.8msince last month. The majority of this increase relates to further underspends identified within CFAand CS Financing (Debt Charges). See section 3 for details.

- Key Performance Indicators; the corporate performance indicator set has been refreshed for 2015/16. Some of the measures within this new set are still being developed and should be available in the coming months. There are 20 indicators in the Council's new basket, with data currently being available for 18 of these. Of these 18 indicators, 7 are on target.See section 5 for details.

- The Capital Programme is showing a forecast year end underspend of £46.3m (-22.2%), which is an increase of £5.0m since last month. The majority ofthe increase is due tofurther slippage within CFA's and ETE'scapital programmes.Seesection 6 for details.

- Balance Sheet Health; The original forecast net borrowing position for 31st March 2016, as set out in the Treasury Management Strategy Statement (TMSS) is £453m. This projection has now fallen to £414m, down by £11m from last month. This is largely as a result of changes in the net expenditure profile of the capital programme and changes in expected cash flows since the Business Plan was produced in February 2015. See section 7 for details.

3. REVENUE BUDGET

3.1 A more detailed analysis of financial performance is included below:

Key to abbreviations

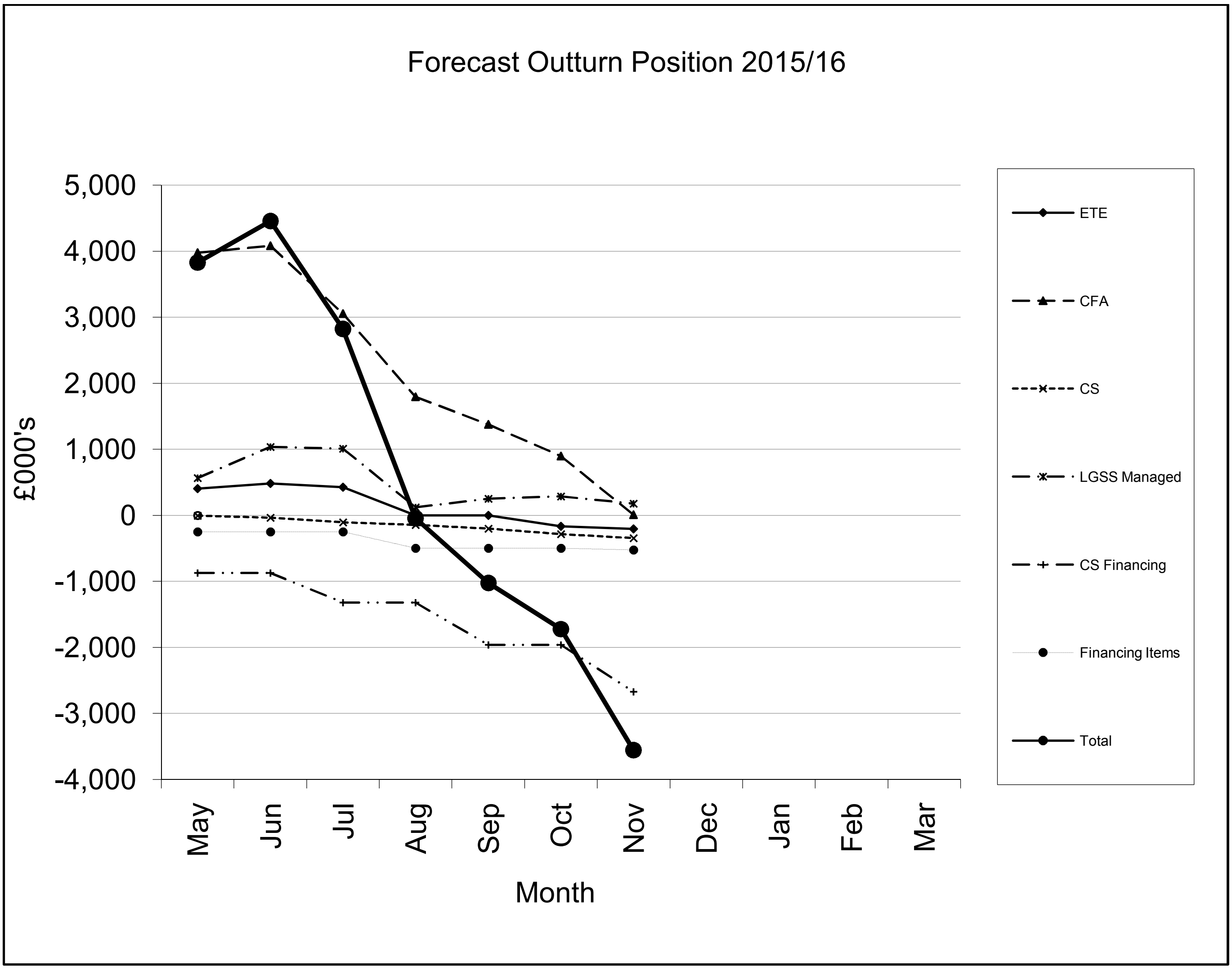
ETE –Economy, Transport and Environment
CFA – Children, Families and Adults
CS Financing – Corporate Services Financing
DoT – Direction of Travel (up arrow means the position has improved since last month)

Original Budget as per BP [1] £000	Service	Current Budget for 2015/16 £000	Forecast Variance - Outturn (Oct) £000	Forecast Variance - Outturn (Nov) £000	Forecast Variance - Outturn (Nov) %	Current Status	DoT
63,308	ETE[2]	63,155	-166	-204	-0.3%	Green	↑
244,270	CFA	244,798	896	9	0.0%	Green	↑
0	Public Health	0	0	0	0.0%	Green	↔
5,672	Corporate Services	6,166	-281	-343	-5.6%	Green	↑
9,145	LGSS Managed	10,471	288	177	1.7%	Amber	↑
35,460	CS Financing	35,460	-1,960	-2,670	-7.5%	Green	↑
357,855	**Service Net Spending**	**360,050**	**-1,223**	**-3,030**	**-0.8%**	**Green**	**↑**
2,165	Financing Items	-290	-496	-523	-180%	Green	↑
360,020	**Net Spending**	**359,759[3]**	**-1,719**	**-3,552**	**-1.0%**	**Green**	**↑**
	Memorandum Items:						
9,864	LGSS Operational	10,125	0	0	0.0%	Green	↔
369,884	**Total Net Spending 2015/16**	**369,884**					

[1] The budget figures in this table are net, with the 'Original Budget as per BP' representing the Net Budget column in Table 1 of the Business Plan for each respective Service.

[2] ETE includes Winter Maintenance and the Waste PFI Contract, where specific arrangements for under / overspends exist. Excluding these the underlying forecast outturn position for ETE is a £348k underspend.

[3] For budget virements between Services throughout the year, please see Appendix 1.



3.2 Key exceptions this month are identified below.

3.2.1 **Economy, Transport and Environment:**£0.204m (-0.3%) underspend is forecast at year end. There are no exceptions to report this month; for full and previously reported details go to the ETE Finance & Performance Report.

3.2.2 **Children, Families and Adults:** £0.009m (0.0%) overspend is forecast at year end.

	£m	%
• **Adult Social Care (ASC) Directorate** – this directorate is reporting a forecast underspend of £2.2m, which is an increase of £836k from last month. The increase is mainly due to:		
○ **ASC Practice & Safeguarding**– the forecast underspend has increased by £0.5m this month, as spending on Mental Capacity Act / Deprivation of Liberty Safeguards has been at a significantly lower level than anticipated due to the shortage of available assessors. There has been moderate recent success in recruiting to posts in the last round of interviews, but lead-in times for staff joining	-1.185	(-55%)

means that an increase in the forecast underspend has been confirmed as £1.2m.

- **Older People & Adult Mental Health Directorate** – this directorate is reporting a forecast underspend of £2.6m, which is an increase of £71k from last month. The increase is mainly due to:

    - **City & South Locality** – the forecast underspend has increased by £0.3m this monthfollowing a further favourable month of decreasing spending commitments for care placements. -0.394 (-2%)

- For full and previously reported details go to the CFA Finance & Performance Report.

3.2.3 **Public Health:**a balanced budget is forecast at year end.

	£m	%
- **Public Health Grant** – in the Comprehensive Spending Review in November 2015, the Chancellor announced further reductions to the Public Health grant for 2016/17 to 2019/20 and additionally confirmed that the grant would remain a ringfenced grant for two more years, to the end of March 2018. This has therefore been reflected within the 2016/17 Business Planning process.	-	-

- For full and previously reported details go to the PH Finance & Performance Report.

3.2.4 **Corporate Services:** £0.343m (-5.6%) underspend is forecast at year end. There are no exceptions to report this month; for full and previously reported details go to the CS & LGSS Finance & Performance Report.

3.2.5 **LGSS Managed:**£0.177m (1.7%) overspend is forecast at year end. There are no exceptions to report this month; for full and previously reported details go to the CS & LGSS Finance & Performance Report.

3.2.6 **CS Financing:**£2.670m (-7.5%) underspend is forecast at year end.

	£m	%
- **Debt Charges** – the forecast underspend has increased by £0.7m this month. The movement is largely as a result of a decision to continue with a strategy of internal borrowing as the health of the balance sheet has been stronger than anticipated. As a result investments have been drawn down as a surrogate for expensive long term borrowing.	-2.670	(-7.5%)

- For full and previously reported details go to the CS & LGSS Finance & Performance Report.

3.2.7 **LGSS Operational:**a balanced budgetis forecast at year end. There are no exceptions to report this month; for full and previously reported details go to the CS & LGSS Finance & Performance Report.

Note:*exceptionsrelate to Forecast Outturns that are considered to be in excess of +/- £250k.*

4. KEY ACTIVITY DATA

4.1 The latest key activity data for: Looked After Children (LAC); Special Educational Needs (SEN) Placements; Adult Social Care (ASC); Adult Mental Health; Older People (OP); and Older People Mental Health (OPMH) can be found in the latest CFA Finance & Performance Report (section 2.5).

5. PERFORMANCE TARGETS

Corporate Priority	Indicator	Service	What is good?	Date	Unit	Actual	Target	Status (Green, Amber, or Red)	Direction of Travel (up is good, down is bad)
Developing our economy	Percentage of Cambridgeshire residents aged 16 - 64 in employment	ETE	High	30/06/15	%	79.9	80.3 (2015/16 target)	Amber	↓
	Additional jobs created	ETE	High	30/09/14	Number	14,000	3,500 (2015/16 target)	Green	↑
	'Out of work' benefits claimants – narrowing the gap between the most deprived areas (top 10%) and others	ETE	Low	31/05/15	%	Most deprived areas (top 10%) = 11.8% Others = 5.1% Gap of 6.7 percentage points	Most deprived areas (top 10%) ≤12 Gap of <7.2 percentage points *	Green	↔
	The proportion of children in year 12 taking up a place in learning	CFA	High	31/10/15	%	94.4	96.0	Amber	↑
	Percentage of 16-19 year olds not in education, employment or training (NEET)	CFA	Low	31/10/15	%	3.3	3.6	Green	↓
	The proportion pupils attending Cambridgeshire Primary schools judged good or outstanding by Ofsted	CFA	High	31/10/15	%	80.1	75	Green	↑
	The proportion pupils attending Cambridgeshire Secondary schools judged good or outstanding by Ofsted	CFA	High	31/10/15	%	48.4	75	Red	↑

Corporate Priority	Indicator	Service	What is good?	Date	Unit	Actual	Target	Status (Green, Amber, or Red)	Direction of Travel (up is good, down is bad)
	The proportion pupils attending Cambridgeshire Special schools judged good or outstanding by Ofsted	CFA	High	31/10/15	%	86.6	75	Green	↔
Helping people live independent and healthy lives	Percentage of closed Family Worker cases demonstrating progression	CFA	High	31/10/15	%	75.8	80	Amber	↑
	The proportion of older people (65 and over) who were still at home 91 days after discharge from hospital into re-ablement / rehabilitation services	CFA	High	2014/15	%	69.8	TBC – *new definition for 15/16*	TBC	TBC
	The proportion of Adult Social Care and Older People's Service users requiring no further service at end of re-ablement phase	CFA	High	31/10/15	%	55.3	57	Amber	↓
	Reduced proportion of Delayed Transfers of care from hospital, per 100,000 of population (aged 18+)	CFA	Low	30/09/15	Number	504	406.3 per month (4,874.5 per year)	Red	↑
	Number of ASC attributable bed-day delays per 100,000 population (aged 18+)	CFA	Low	30/09/15	Number	126	94	Red	↓
	Healthy life expectancy at birth (males)	Public Health	High	2011-2013	Years	66.4	N/A – Contextual indicator	Green *(compared with England – local value to be assessed at year end)*	↑ *(compared with previous year)*
	Healthy life expectancy at birth (females)	Public Health	High	2011-2013	Years	65.5	N/A – Contextual	Amber *(compared*	↓

Corporate Priority	Indicator	Service	What is good?	Date	Unit	Actual	Target	Status (Green, Amber, or Red)	Direction of Travel (up is good, down is bad)
							indicator	*with England – local value to be assessed at year end)*	*(compared with previous year)*
	Absolute gap in life expectancy between the most deprived 20% of Cambridgeshire's population and the least deprived 80% (all persons)	Public Health	Low	2013-2015 (Q1 2015)	Years	2.5	N/A – Contextual indicator	N/A – Contextual indicator	↔
Supporting and protecting vulnerable people	The number of looked after children per 10,000 children	CFA	Low	31/10/15	Rate per 10,000	43.4	32.8 to 38.5	Red	↔
	The proportion of support plans created through the common assessment framework (CAF) that were successful	CFA	High	31/10/15	%	79.1	80	Amber	↓
An efficient and effective organisation	The percentage of all transformed transaction types to be completed online	CCC	High	01/07/15 to 30/09/15	%	71.25	75	Amber	↓
	The average number of days lost to sickness per full-time equivalent staff member	CCC	Low	30/11/15	Days (12 month rolling average)	6.64	7.8	Green	↓

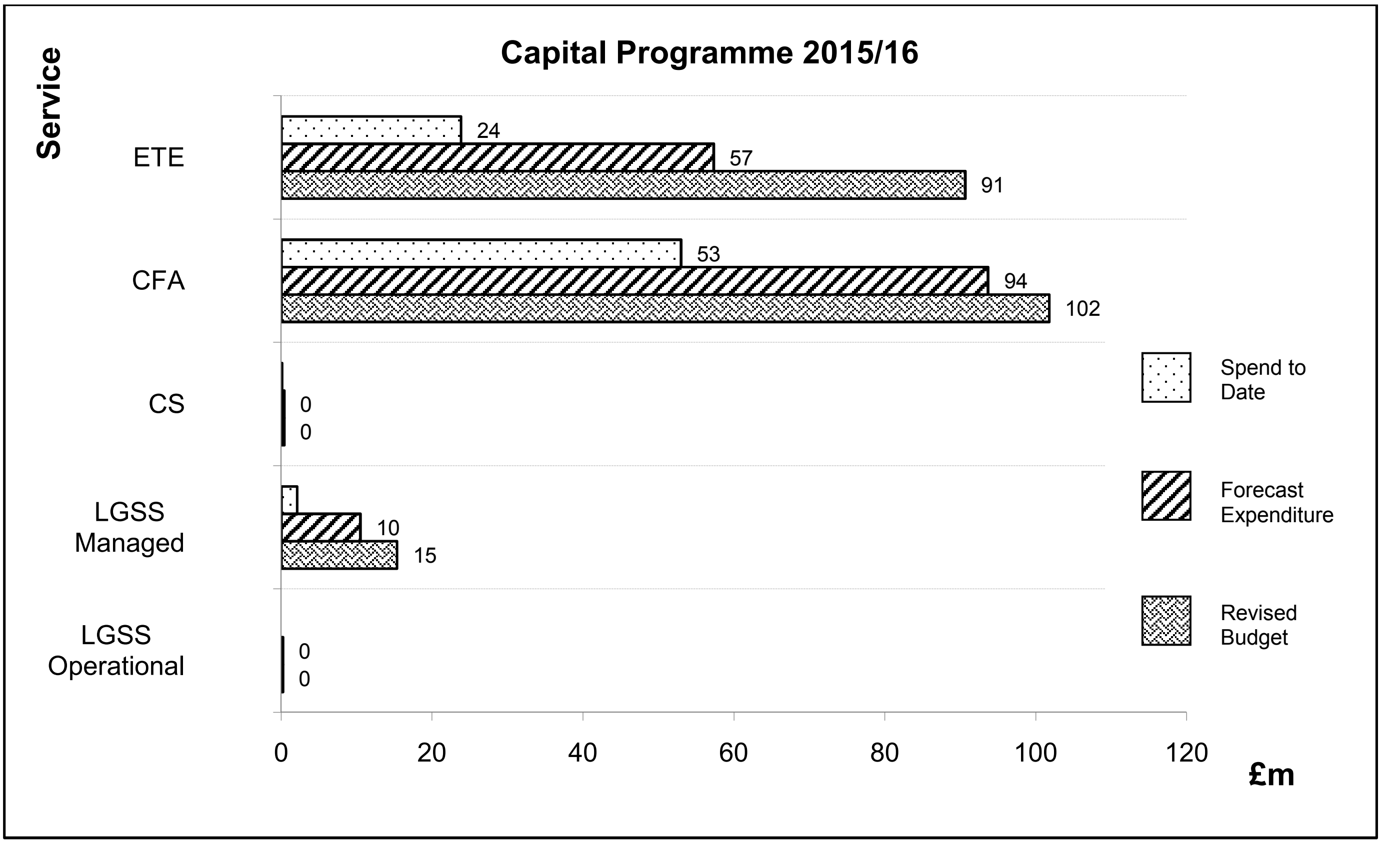
** 'Out of work' benefits claimants - narrowing the gap between the most deprived areas (top 10%) and others – the target of ≤12% is for the most deprived areas (top 10%). At 6.7 percentage points the gap is the same as last quarter, but is narrower than the baseline (in May 2014) of 7.2 percentage points.*

5.2 Key exceptions: there are no exceptions to report this month; for full and previously reported details go to the respective Service Finance & Performance Report:
- ETE Finance & Performance Report
- CFA Finance & Performance Report
- PH Finance & Performance Report
- CS & LGSS Finance & Performance Report

6. CAPITAL PROGRAMME

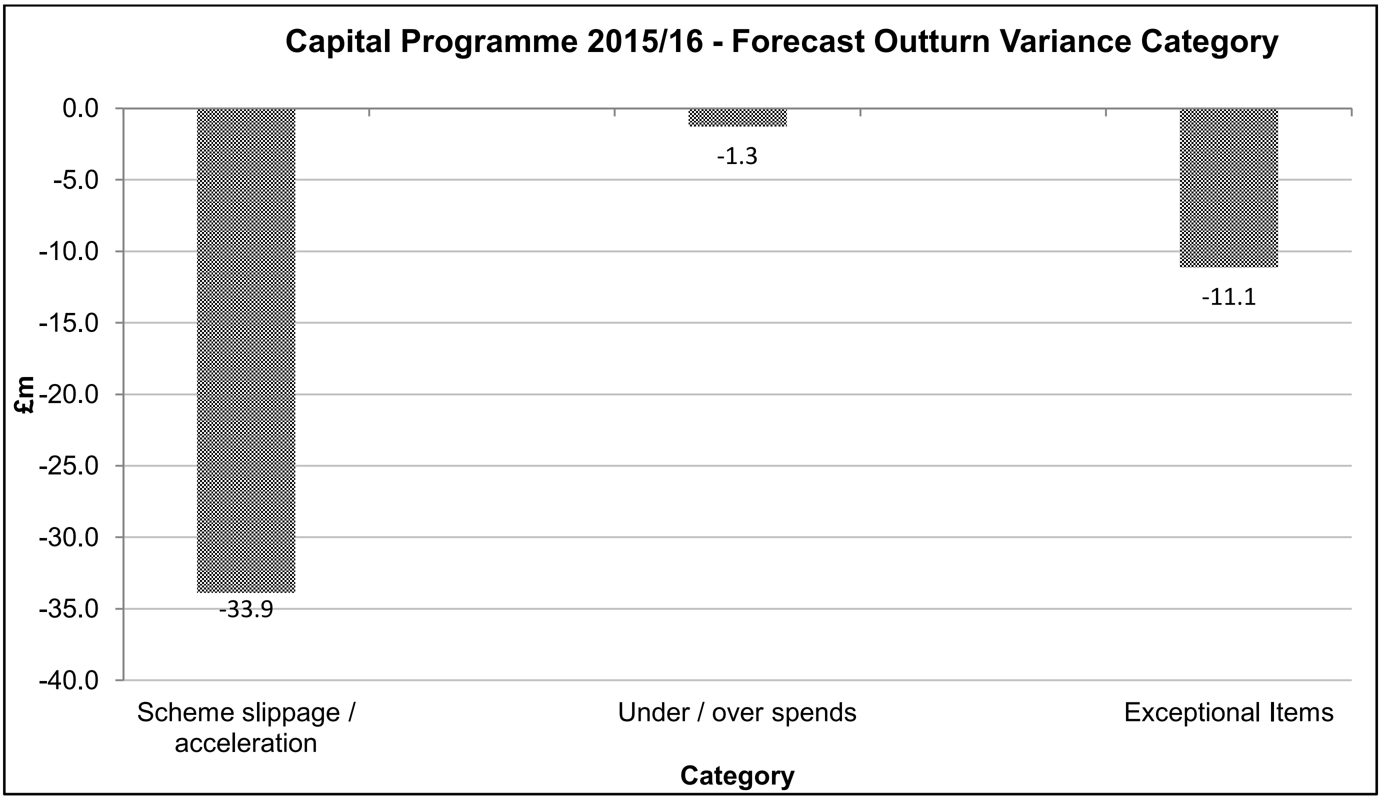
6.1 A summary of capital financial performance by service is shown below:

2015/16						TOTAL SCHEME	
Original 2015/16 Budget as per BP £000	**Service**	**Revised Budget for 2015/16 £000**	**Forecast Variance - Outturn (Oct) £000**	**Forecast Variance - Outturn (Nov) £000**	**Forecast Variance - Outturn (Nov) %**	**Total Scheme Revised Budget (Nov) £000**	**Total Scheme Forecast Variance (Nov) £000**
102,192	ETE	90,667	-29,039	-33,346	-36.8%	521,413	0
104,854	CFA	101,804	-6,252	-8,119	-8.0%	568,938	-57
300	Corporate Services	386	0	0	0.0%	640	0
11,385	LGSS Managed	15,331	-5,984	-4,851	-31.6%	81,452	-6,652
-	LGSS Operational	209	0	0	0.0%	600	0
218,731	**Total Spending**	**208,397**	**-41,275**	**-46,316**	**-22.2%**	**1,173,043**	**-6,709**



Note: The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted.

The following graph provides an indication of the cause for the 2015/16 capital forecast outturn variance:



Note: The 'Exceptional Items' category could include, for example, post Business Plan (BP) amendments.

6.2 A more detailed analysis of current yearkey exceptions this month by programme for individual schemes of £0.5m or greater are identified below.

6.2.1 **Economy, Transport and Environment:**£33.3m (-36.8%) underspend is forecast at year end.

	£m	%
Guided Busway – the forecast underspend has increased by £3m this month, to £3.7m, due to the timing uncertainty over the final land deal and retention payments. The previous £3m expenditure has slipped into 2016/17, although the total forecast spend is unchanged. However, there is still considerable uncertainty over the timing and the profile of actual expenditure.	-3.7	(-100%)
City Deal – although we have already received £20m worth of grant funding for the City Deal, the very nature of the schemes will mean that the majority of the expenditure will take place in the latter years of the initial five year period. The budget has therefore been adjusted to match the likely profile of spend. Spend in this year is mainly on staffing and the projected spend is being reported to the City Deal Executive Board. The forecast underspend this year is based on firmer costings for each of the City Deal schemes.	-0.8	(-32%)
£90m Highways Maintenance Schemes – there will be increased costs relating to Brasley Bridge in Grantchester. Reasons for this forecast overspend are: o the £200k cost of temporarily diverting utility apparatus was planned to be funded from a capital budget in 2013/14, but was delayed to 2014/15. This delay resulted in the scheme being reprogrammed and had a knock-on effect on how the budget was then allocation across each financial year; o delays in the completion of works undertaken by utility contractors also impacted our own contractor and the subsequent availability of specialist plant and resources, leading to additional costs of £36k. Unfortunately we are not able to claim back costs associated with utility works; o significant pressure from the local community and businesses to open GrantchesterRoad as soon as possible also led to acceleration of the works to mitigate delays at an additional cost of £54k; and o unforeseen ground conditions have also impacted on costs, due to the original budget being based on the feasibility / initial design rather than the detailed design. The scheme was allocated £565k for 2015/16, but costs are expected to be £920k.	+0.5	(+6%)

Officers will look to fund this overspend from savings and/or reducing the scope where possible on other schemes within the current Transport Delivery Plan (TDP). This does not therefore represent a total scheme overspend.

- For full and previously reported details go to the ETE Finance & Performance Report.

6.2.2 **Children, Families and Adults:**£8.1m (-8.0%) underspend is forecast at year end.

	£m	%
• **Secondary Schools - New Communities** – the forecast has increased to a £0.5m underspend this month, which is due to:		
○ Southern Fringe Secondary – this scheme has experienced slippage due to a 4 week delay in construction.	-0.5	(-3%)
• **Secondary Schools - Demographic Pressures** – the forecast has swung by £1.5m this month, from a £0.6m overspend to a £0.9m underspend. This is due to:		
○ Littleport Secondary & Special–an underspend of £1.5mis forecast in 2015/16 due to delays in the start on site for the project. Work is now scheduled to commence in January 2016.	-1.5	(-21%)

- For full and previously reported details go to the CFA Finance & Performance Report.

6.2.3 **Corporate Services:**a balanced budget is forecast at year end. There are no exceptions to report this month; for full and previously reported details go to the CS & LGSS Finance & Performance Report.

6.2.4 **LGSS Managed:**£4.9m (-31.6%) underspend is forecast at year end.

	£m	%
• **Effective Property Asset Management (EPAM) - Renewable Energy Soham** – this scheme has been rephased, causing the scheme to overspend in 2015/16. This rephasing has been reflected in the 2016/17 Business Planning process and does not affect the total scheme cost.	+1.2	(+502%)

- For full and previously reported details go to the CS & LGSS Finance & Performance Report.

6.2.5 **LGSS Operational:**a balanced budget is forecast at year end. There are no exceptions to report this month; for full and previously reported details go to the CS & LGSS Finance & Performance Report.

6.3 A more detailed analysis of <u>total scheme</u> key exceptions this month by programme for individual schemes of £0.5m or greater are identified below:

6.3.1 **Economy, Transport and Environment:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details go to the ETE Finance & Performance Report.

6.3.2 **Children, Families and Adults:** -£0.1m (-0%) total scheme underspend is forecast.

	£m	%
• **Secondary - Demographic Pressures** –the total scheme forecast underspend has decreased by £6.9m this month, which is due to:		
o Littleport Secondary & Special – costs have increased by £6.9m. The start on site for this scheme has incurred delays of 10 months from April 2015 to January 2016, due to planning issues (£3.5m). Changes to project scope including increased floor area and piling requirements to the substructure have also been required (£3.4m). The increase has been reflected in the 2016/17 Business Plan.	+6.9	(+20%)

- For full and previously reported details go to the CFA Finance & Performance Report.

6.3.3 **Corporate Services:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details go to the CS & LGSS Finance & Performance Report.

6.3.4 **LGSS Managed:** £6.7m (-8.2%) total scheme underspend is forecast. There are no exceptions to report this month; for full and previously reported details go to the CS & LGSS Finance & Performance Report.

6.3.5 **LGSS Operational:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details go to the CS & LGSS Finance & Performance Report.

6.4 A breakdown of the changes to funding has been identified in the table below:

Funding Source	B'ness Plan Budget £m	Rolled Forward Funding [1] £m	Revised Phasing £m	Additional/ Reduction in Funding £m	Revised Budget £m	Outturn Funding £m	Funding Variance £m
Department for Transport (DfT) Grant	38.2	4.3	-17.5	1.5	**26.5**	24.8	-1.7
Basic Need Grant	4.9	1.5	0.0	0.0	**6.4**	6.4	0.0

Capital Maintenance Grant	6.3	0.0	0.0	-1.2	**5.1**	5.1	0.0
Devolved Formula Capital	1.1	1.1	0.0	0.0	**2.2**	2.2	0.0
Specific Grants	11.5	6.1	0.0	1.8	**19.4**	12.4	-7.0
Section 106 Contributions& Community Infrastructure Levy (CIL)	35.8	-1.2	-16.2	0.1	**18.5**	13.8	-4.7
Capital Receipts	4.5	0.0	0.0	0.0	**4.5**	3.8	-0.7
Other Contributions	29.6	0.7	0.0	-20.1	**10.2**	4.7	-5.5
Prudential Borrowing	86.8	19.5	3.3	5.9	**115.5**	88.6	-26.8
Total	**218.7**	**32.0**	**-30.4**	**-12.0**	**208.4**	**162.1**	**-46.3**

[1]Reflects the difference between the anticipated 2014/15 year end position, as incorporated within the 2015/16 Business Plan, and the actual 2014/15 year end position.

6.5 Key funding changes (of greater than £0.5m): there are no new exceptions to report this month. For previously reported key funding changes go to the respective Service Finance & Performance Report (appendix 6):
- ETE Finance & Performance Report
- CFA Finance & Performance Report
- CS & LGSS Finance & Performance Report

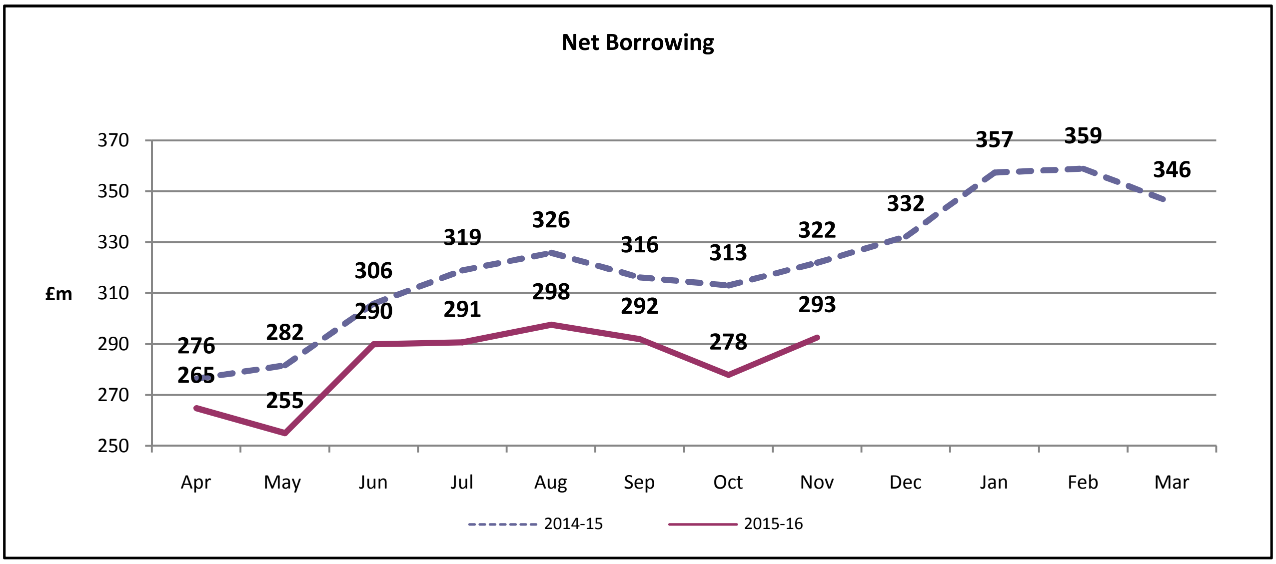
7. BALANCE SHEET

7.1 A more detailed analysis of balance sheet health issues is included below:

Measure	**Year End Target**	**Actual as at the end of November**
Level of debt outstanding (owed to the council) – 4-6 months, £m	£0.4m	£3.7m
Level of debt outstanding (owed to the council) – >6 months, £m	£1.0m	£1.8m
Invoices paid by due date (or sooner)	97.5%	99.8%

The 4-6 month balance has increased by £3.1m this month, which relates to 3 invoices specifically. These debts are being actively chased.

7.2 The graph below shows net borrowing (borrowing less investments) on a month by month basis and compares the position with the previous financial year. The levels of investments at the end of November were £73.6mand gross borrowing was £366.1m, giving a net borrowing position of £292.5m.



7.3 Further detail around the Treasury Management activities can be found in the latest Treasury Management Report.

7.4 A schedule of the Council's reserves and provisions can be found in appendix 2.

8. EXTERNAL AND CONTEXTUAL ISSUES

8.1 On 17 December central government announced the provisional finance settlement for local government for 2016/17. The main funding from government (the Settlement Funding Assessment) is now expected to reduce by approximately £20m (20%) in 2016/17 compared with 2015/16; this compares to our forecasts which predicted a reduction of £15m, leaving the council approximately £5m worse off in terms of government funding than expected. Over the five year period, we now expect our main government funding to reduce by up to 50%.

Government confirmed the threshold for raising Council Tax without a referendum to be 2%. In addition to this, government announced that councils with Adult Social Care responsibilities would be able to raise Council Tax by a further 2%, which is expected to be the principle applied in all five years of the Parliament. It is forecast that implementing an additional 2% Council Tax rise would generate £4.8m. However, no funding was announced that would offset the pressure caused by the implementation of the National Living Wage, which we expect to be around £5m in 2016/17.

Work is ongoing to further analyse the settlement and its implications on the 2016-21 Business Planning process.

The details of the settlement can be found in full at:

https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017

9. ALIGNMENT WITH CORPORATE PRIORITIES

9.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

9.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

9.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

10. SIGNIFICANT IMPLICATIONS

10.1 Resource Implications

This report provides the latest resources and performance information for the Council and so has a direct impact.

10.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

10.3 Equality and Diversity Implications

There are no significant implications within this category.

10.4 Engagement and Consultation Implications

No public engagement or consultation is required for the purpose of this report.

10.5 Localism and Local Member Involvement

There are no significant implications within this category.

10.6 Public Health Implications

There are no significant implications within this category.

Source Documents	Location
ETE Finance & Performance Report (November 15) CFA Finance & Performance Report (November 15) PH Finance & Performance Report (November 15) CS and LGSS Cambridge Office Finance & Performance Report (November 15) Performance Management Report & Corporate Scorecard (November 15) Capital Monitoring Report (November 15) Report on Debt Outstanding (November 15) Payment Performance Report (November 15)	1st Floor, Octagon, Shire Hall, Cambridge

APPENDIX 1 – transfers between Services throughout the year(only virements of £1k and above (total value) are shown below)

	CFA	Public Health	ETE	CS Financing	Corporate Services	LGSS Managed	LGSS Operational	Financing Items
	£’000	£’000	£’000	£’000	£’000	£’000	£’000	£’000
Opening Cash Limits as per Business Plan	244,270	0	63,308	35,460	5,672	9,145	9,864	2,165
Green Spaces budget from CS to ETE			11		-11			
Scrutiny Members Training budget to Members Allowances 15/16						15	-15	
City Deal budget from ETE to LGSS Managed			-717			717		
ETE Operational Savings – LEP subscription			50					-50
Green Spaces staff budget from CS to ETE			43		-43			
Travellers Support budget from CS to ETE			51		-51			
Allocation of Supporting Disadvantaged Children in Early Years Grant and SEND Preparation for Employment Grant to CFA	63							-63
Microsoft Support Extension - Windows 2003						33		-33
Reablement to LGSS Operational	-34						34	
Mobile Phone Centralisation	-286		-55		-3	372	-28	
Reversal of Mobile Phone Centralisation for pooled budgets in 2015/16	17					-17		
CS Operational Savings – various					602			-602
Property budget for 9 Fern Court from CFA to LGSS Mgd.	-7					7		
Allocation of Staying Put Implementation Grant to CFA (Qtr 1)	27							-27
City Deal funding 2015/16						200		-200
Transfer from CFA to Finance for Adults Accountant post	-30						30	
ETE Operational Savings – various			388					-388
Independent Living Fund (ILF) - 1st half year instalment	519							-519
LGSS Operational Savings – K2							36	-36
Independent Living Fund (ILF) – Qtr 3	259							-259
ETE Operational Savings – Business Planning savings			75					-75

Transfer of legal budget to LGSS Law							202	-202
Current budget	**244,798**	**0**	**63,155**	**35,460**	**6,166**	**10,471**	**10,124**	**-290**
Rounding	*-*	*-*	*1*	*-*	*-*	*-1*	*1*	*-1*

APPENDIX 2– Reserves and Provisions

Fund Description	Balance at 31 March 2015	2015-16		Forecast Balance at 31 March 2016	Notes
		Movements in 2015-16	Balance at 30Nov 15		
	£000s	£000s	£000s	£000s	
General Reserves					
- County Fund Balance	16,001	25	16,026	18,735	
- Services					
1 CFA	0	0	0	-9	Includes Service Forecast Outturn (FO) position.
2 PH	952	0	952	0	
3 ETE	3,369	-628	2,741	204	Includes Service FO position.
4 CS	1,020	-603	417	760	Includes Service FO position.
5 LGSS Operational	1,003	-36	967	300	Includes Service FO position.
Subtotal	22,345	-1,242	21,103	19,990	
Earmarked					
- Specific Reserves					
6 Insurance	2,578	0	2,578	2,578	
Subtotal	2,578	0	2,578	2,578	
Equipment Reserves					
7 CFA	744	159	903	106	
8 ETE	893	-286	607	650	
9 CS	50	0	50	50	
10 LGSS Managed	642	0	642	167	
Subtotal	2,329	-127	2,202	973	
Other Earmarked Funds					
11 CFA	7,533	-807	6,726	2,990	
12 PH	2,081	-61	2,020	1,300	
13 ETE	7,404	-598	6,806	5,101	Includes liquidated damages in respect of the Guided Busway.
14 CS	527	-55	472	368	
15 LGSS Managed	198	70	268	232	
16 LGSS Operational	130	0	130	0	
17 Corporate	63	-63	0	0	
Subtotal	17,936	-1,514	16,422	9,991	
SUB TOTAL	**45,187**	**-2,883**	**42,305**	**33,532**	
Capital Reserves					
- Services					
18 CFA	6,272	10,131	16,403	1,778	
19 ETE	15,897	36,252	52,149	25,670	
20 LGSS Managed	481	400	881	427	
21 Corporate	33,547	15,339	48,886	39,249	Section 106 and CIL balances.
SUB TOTAL	**56,197**	**62,122**	**118,319**	**67,124**	
GRAND TOTAL	**101,384**	**59,239**	**160,623**	**100,656**	

In addition to the above reserves, specific provisions have been made that set aside sums to meet both current and long term liabilities that are likely or certain to be incurred, but where the amount or timing of the payments are not known. These are:

Description	Balance at 31 March 2015	2015-16		Forecast Balance at 31 March 2016	Notes
		Movements in 2015-16	Balance at 30Nov 15		
	£000s	£000s	£000s	£000s	
Short Term Provisions					
ETE	669	0	669	0	
CS	1,043	-43	1,000	950	
LGSS Managed	3,316	0	3,316	2,335	
subtotal	5,028	-43	4,985	3,285	
Long Term Provisions					
LGSS Managed	4,718	0	4,718	4,718	
subtotal	4,718	0	4,718	4,718	
GRAND TOTAL	**9,746**	**-43**	**9,703**	**8,003**	

FORWARD AGENDA PLAN - AUDIT AND ACCOUNTS COMMITTEE

MEETING DATE REPORT DEADLINES AND REPORT TITLES	Frequency of report	Corporate/Service Director /external officer responsible	Report author
15th March 2016 **Deadline for reports to be with Democratic Services : Mid-day Tuesday 1st March 2016**			
Cambridgeshire County Council External Audit Plan 2015-16 to include cover sheet with recommendations on what Auditors wish the Audit and Accounts Committee to agree	External Audit	BDO LLP	Lisa Clampin, Zoe Thompson and Barry Pryke
The Council's Assurance Framework: Update on Assurances Received	twice a year – (November / March)	Interim Head of Internal Audit	Neil Hunter
Internal Audit Plan 2016/17	Annual to the March meeting	Interim Head of Internal Audit	Neil Hunter
Risk Updates Report		Director, Customer Services and Transformation	Sue Grace
The Council's Assurance Framework: Update on Assurances Received	Agreed at July 2013 meeting this would revert back to twice a year – (November and	Interim Head of Internal Audit	Neil Hunter

	March		
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update) *Relevant officers to attend the Committee to be invited by N Hunter where management actions have gone beyond the next agreed target date*	Each meeting	Interim Head of Internal Audit	Neil Hunter
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Cttee	Chief Finance Officer	C Malyon / P Emmett
7th June 2016 **Deadline for reports to be with Democratic Services : Mid-day Tuesday 24th MAY 2016**			
Training session on Annual Accounts to be held at 1.00p.m. before the meeting	One off		Organised by Iain Jenkins
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Draft Annual Governance Statement	Annual	Interim Head of Internal Audit	Neil Hunter
Annual Risk Management Report	Annual	Director, Customer Services and Transformation	Sue Grace / Neil Hunter

Annual Internal Audit Report (to be reported on to Council in October)	Annual	Interim Head of Internal Audit	Neil Hunter
Review of Terms of Reference	Once a year	Interim Head of Internal Audit	N Hunter
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Committee	Chief Finance Officer	C Malyon / P Emmett
12th JULY 2016			
Deadline for reports to be with Democratic Services – Mid-day Tuesday 28TH JUNE			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Draft Statement of Accounts: 2015-16	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant	Chris Malyon / Iain Jenkins
LGSS Draft Accounts (for information only)	Annual	Deputy S151 Officer. LGSS	Jon Lee /Iain Jenkins Head of Finance (Deputy S151 Officer) LGSS
Code of Corporate Governance - updated document	Annual	Interim Head of Internal Audit	Neil Hunter

Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Progress) *Relevant officers to attend the Committee to be invited by Neil Hunter where management actions have gone beyond the next agreed target date*	Each meeting except June as this is too close to the July meeting	Interim Head of Internal Audit	Neil Hunter
Audit and Accounts Committee Training Plan	Once a year	Interim Head of Internal Audit	Neil Hunter

20th SEPTEMBER 2016 **Deadline for reports to be with Democratic Services: Mid-day Tuesday 6th September**			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Safe Recruitment in Schools Update	regular update	Children and Young People	Keith Grimwade /
Accounts: • Revised Statement of Accounts • ISA 260 Report and Letter of Representation and ISA 260 Report – Pension Fund (to include the approach to be undertaken to identify value for money)	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant External Audit BDO LLP	Chris Malyon /Iain Jenkins Lisa Clampin, Zoe Thompson and Barry Pryke Lisa Clampin, Zoe Thompson and Barry Pryke

LGSS Accounts	Annual	Deputy S151 Officer. LGSS	Jon Lee / Iain Jenkins Head of Finance (Deputy S151 Officer) LGSS
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update)	Each meeting	Interim Head of Internal Audit	Neil Hunter
Risk Updates Report	Regular	Director, Customer Services and Transformation	Sue Grace / D Thorp

22nd NOVEMBER 2016 Deadline for reports to be with Democratic Services: Mid-day Tuesday 8TH NOVEMBER 2016			
Minutes and Minutes Log Update	Each meeting	*Democratic Services*	Rob Sanderson
Safe Recruitment in Schools Update	regular update	*Children and Young People*	Keith Grimwade /
Workforce Strategy and Model Update Report	One off	*Human Resources*	Martin Cox /Janet Maulder
External Audit - Annual Audit Letter 2014/15 Audit	Annual	*External Audit*	PWC
The Council's Assurance Framework: Update on Assurances Received	Agreed at July 2013 meeting this	*Interim Head of Internal Audit*	Neil Hunter

	would revert back to twice a year – (November March)		

24th JANUARY 2017 Deadline for reports to be with Democratic Services: Mid-day 102th January 2017			
Minute Log	Each meeting	*Democratic Services*	Rob Sanderson
Annual Certification Report on those charged with Governance (Grants) to include cover sheet with recommendation on what Audit and Accounts Committee should be doing with report	Once a year	*BDO LLP External Audit*	Lisa Clampin, Zoe Thompson and Barry Pryke BDO LLP
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Committee	*Chief Finance Officer*	C Malyon / P Emmett
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update) *Relevant officers to attend the Committee to be invited by Head of Internal Audit where management actions have gone beyond the next agreed target date*	Each meeting	*Interim Head of Internal Audit*	Neil Hunter

Risk Updates Report		Director, Customer Services and Transformation	Sue Grace / N Hunter

21st March 2017 **Deadline for reports to be with Democratic Services : Mid-day Tuesday 7TH March 2017**			
Cambridgeshire County Council External Audit Plan 2016-17 to include cover sheet with recommendations on what Auditors wish the Audit and Accounts Committee to agree	External Audit	BDO LLP	Lisa Clampin, Zoe Thompson and Barry Pryke
The Council's Assurance Framework: Update on Assurances Received	twice a year – (November / March)	Interim Head of Internal Audit	Neil Hunter
Internal Audit Plan 2017/18	Annual to the March meeting	Interim Head of Internal Audit	Neil Hunter
Risk Updates Report		Director, Customer Services and Transformation	Sue Grace
The Council's Assurance Framework: Update on Assurances Received	Agreed at July 2013 meeting this would revert back to twice a year – (November and March	Interim Head of Internal Audit	Neil Hunter
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan	Each meeting	Interim Head of Internal Audit	Neil Hunter

Update) *Relevant officers to attend the Committee to be invited by N Hunter where management actions have gone beyond the next agreed target date*			
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Cttee	Chief Finance Officer	C Malyon / P Emmett

<u>Notes</u>

Risk Management Update reports to March, June, September and January.
The June report will also be the Annual Risk Management Report

2015/16 cycle will be:
- Jan, following SMT November review of corp risk
- March, following SMT February
- June following SMT May review
- September, following SMT August review

Integrated Resources and Performance Report every cycle except July in 2015 as the meeting is too near the June meeting and General Purposes Committee is later in July.

To be rescheduled

Update 15th January 2016 – There may need to be further updates to be suggested by officers at the meeting and from members of the Committee