

**AUDIT AND ACCOUNTS COMMITTEE: MINUTES**

**Date:** 23<sup>rd</sup> January 2018

**Time:** 2.00 – 3.40 p.m.

**Place:** KV Room, Shire Hall, Cambridge

**Present:** Councillors: I Bates (Substitute for P Hudson) S Crawford, M McGuire M Shellens, (Chairman) T Rogers (Vice Chairman) D Wells and J Williams

**Apologies:** Councillor P Hudson

**Action**

**59. DECLARATIONS OF INTEREST - none**

**60. MINUTES OF THE MEETING HELD ON 21<sup>st</sup> NOVEMBER 2017**

The minutes of the meeting held on 21<sup>st</sup> November 2017 were confirmed as a correct record and were signed by the Chairman.

**Matters arising;**

**a) Minute 53 Transformation Fund Monitoring Report - transformation scheme (A/R 6.165) for Occupational Therapy to support Delayed Transfers of Care, the Chairman asked as an action that officers investigate what proportion of current delayed transfers was down to the Council and Hinchingsbrooke Hospital as opposed to Addenbrooke's Hospital and that he be provided with a written response outside of the meeting.**

**Rob Sanderson (RVS) to contact Liz Robin / Charlotte Black**

**b) Minute 54. Internal Audit Progress Report to 31<sup>st</sup> October 2017 - re the risk management health check and benchmarking review – progress to be included in the next Internal Audit Progress Report.**

**Duncan Wilkinson/ Mairead Kelly**

**61. AUDIT AND ACCOUNTS MINUTE ACTION LOG FOR JANUARY 2018 COMMITTEE MEETING**

**The Minute Action Log**

It was noted that:

- The timetable for The Workforce Strategy had been further delayed and would not now be going to January General Purposes Committee (GPC) or February Council for approval as Strategic Management Team (SMT) had requested that it

should be updated to take account of the staff survey. **Lynsey Fulcher had provided an e-mail update to the Chairman on 18<sup>th</sup> January and they would be meeting in order for him to view the revised Strategy and suggest any changes in advance of it going to GPC.**

L Fulcher

- In relation to the response to 7 'Safer Recruitment in Schools Update' a further clarification to the response included on the Minute action log was sent to the Committee on 22<sup>nd</sup> January and is included as Appendix 1 to these minutes.
- In relation to the response provided on Item 14 - Transformation Fund Monitoring Report there was a request for a briefing note on the management structure of the new People and Communities directorate in the context of overall Council structures and spans of control. This had been provided in an e-mail to the Chairman on 18<sup>th</sup> January and the full Committee on 19<sup>th</sup> January which had attached the report presented to the Adults Committee. A similar report had also been considered and agreed by the Children and Young People's Committee and the structure had been agreed by the Staffing and Appeals Committee and General Purposes Committee. Therefore in terms of member involvement, the structure had been seen and agreed by a considerable number of members of the Council.

The following issues were raised in relation to the Minutes and the Action Log:

- **Page 32-33 Item 9 Minute 48 Cambridgeshire Music – Recruitment problems Update** In his absence, Councillor Hudson had asked Democratic Services to bring to the attention of the Committee and place on the record his personal thanks to the solution provided by Tom Kelly, the Deputy Section 151 Officer, as set out in the response text. This outlined that the Executive Director delegates a standing sign off for Cambridgeshire Music posts that generate a surplus above their costs, to be obtained in individual cases ahead of a job offer, rather than ahead of launching the recruitment process. The Chairman confirmed that the Head of the Music Service was satisfied with the agreed approach which would be of considerable assistance.
- **Page 34 Item 10 Annual External Auditor Letter** - There was still an outstanding request from the November Committee meeting to provide an update on the breakdown of what was involved in the line reading "£710,000 arising from unadjusted misstatements identified in the prior period in relation to the accounts" **Action: The deputy Section 151**

**officer undertook to provide this information following the meeting.**

**T Kelly**

- **Audit and Accounts Training Plan – Running through the detail of a non- contentious project** - It was originally agreed that the session for the Committee, requested by the Chairman, should be before the March meeting. This had been brought forward to the current meeting, however, **due to officer illness on the day of the Committee, this session had to be postponed and a new date would need to be arranged in due course.**

**M Kelly / RVS**

- **Item 11 Final ISA 260 Audit Report a) Appendix II Recommendations and Action Plan pages 105-106 action request for an update on the status of the management responses where the timeframe was completion by December or before.** As an oral update it was indicated that the majority of this information was included in the close down report later on the agenda. **Action: The Deputy 151 Officer agreed to provide a note outside of the meeting which would include detail on the position on retention of school records and school payroll providers.**

**Tom Kelly**

The Minute action log was noted.

## **62. CLOSEDOWN PROGRESS REPORT**

This report provided the Committee with an update on progress on Closedown and the production of the Accounts for 2017-18. It also included an update on the implications of the forthcoming changes to the statutory deadlines for the production of the Accounts.

Sections 2 and 6 of the report detailed the changes that had been undertaken in respect of closedown planning in order to achieve the earlier closure, including the following, which also includes information from questions raised at the meeting:

- **Revised Closedown timetable.** Some items which were previously undertaken after year end would be undertaken prior to year-end.
- **Increased use of estimates** - as there would not be time for final actuals to be confirmed, this would require appropriate judgements to be disclosed within the Accounts, with the assumptions / judgements / methodology to be looked at by the external auditors at an earlier stage with the actual outcomes revisited again later. For External Audit this did not represent additional work as the estimates would be

reviewed at an earlier stage. Prior period adjustments would be required where errors were later identified. A definitive list of the estimates to be used for the Draft Accounts would be brought to the Committee meeting on the 27<sup>th</sup> March. It was clarified that at that stage they would not all have all been audited.

- **Budget Holder Guidance** - An intranet site had been created to provide supporting information to budget managers, with guidance notes, instructions and deadlines e due to be circulated to budget managers in February.
- **Interim Audit.** One key component of the Plan was reducing the amount of audit work that would need to take place in June/July. Further information on the Interim Audit was provided in Section 3 of the report.
- **Resources** – Following the conclusion of the 2016-17 Statement of Accounts, the previous Closedown Accountant had moved to another post, creating a vacancy. This post had been offered to a candidate with year-end public sector experience with a start date pending. In addition, one-off resources had been identified to increase capacity in the team through time limited interim support, as well as deployment of trainee accountant capacity from elsewhere within the finance team”.

It was highlighted that BDO and Council officers were currently still in discussion regarding the appropriate accounting treatment for Cambridgeshire Housing and Investment Company (CHIC), a wholly owned Council company. 2017-18 would be the first financial year that the Cambridgeshire County Council accounts would include disclosures relating to CHIC and it was likely that Group Accounts would be required. These would include notes on governance and risks. An update on progress would be included in the further report to be submitted in March.

Issues raised by Members in the subsequent discussion included:

- The Chairman suggesting that what was missing from the list was non-quoted investments with regard to pensions.
- Seeking clarification regarding whether with officers working on early estimates and then later having to work on the actuals for the following year, this did in fact represent an increase in workload. In response it was explained that as some key areas would now to be brought forward e.g. valuations of fixed assets previously undertaken in February / March were now already completed, while adult social care payments could be simplified by adjusting the payment date.

The Deputy Section 151 officer stated, that in his opinion it did not represent more work, but the same amount compressed into a tighter time period. What it would allow would be to free up officer resources later to devote more time to monitoring / preparing the next year budget estimates.

- The Chairman asked what was BDO's view regarding CHIC. Barry Pryke from BDO explained that they would be auditing it in terms of compliance with the CIPFA Code of Practice and financial reporting standards and as part of their value for money work.
- As a clarification to the suggestion from the Chairman that the Council was lending to CHIC some considerable time ahead of the company becoming profitable in its own right, it was explained that this was the planned business model of the company and of residential development start-ups generally. The security and financing of much of the land acquisition by CHIC was underpinned by the capital receipts receivable by the Council for the sale of the same assets to CHIC. **Action: The Chairman requested that BDO investigate whether there were examples of such companies operated by other authorities.**
- **Action: There was a request that the Deputy Section 151 officer provide a simplified explanation for the Committee on the CHIC business model, financial mechanisms and identified risks, along with the report submitted to the Commercial and Investment Committee.**
- In response to a question raised regarding whether the transfer of a significant number of properties (over 20) to CHIC would affect the Council balance sheet, it was explained that the assets would transfer out from the Council's Accounts but would be shown in the, to be created, group accounts. As a follow up, the Vice Chairman asked why the Pension Fund accounts were not shown in the same way. While some explanation was provided, **it was agreed that the Vice Chairman would receive a more detailed explanation outside of the meeting. Action**
- The Chairman raised the issue of resilience should the newly recruited closedown accountant fall ill or wish to take leave during the most crucial time period. In reply it was explained that the repositioning and planning of staffing resources meant that there was less emphasis on one person due to the support to be provided by the graduate trainee and the other staffing resources as previously

Barry Pryke

Tom Kelly

Tom Kelly to arrange that Pensions contact Vice Chairman

explained. The Deputy Section 151 Officer expressed confidence that there would be sufficient staffing resource to deal with follow up questions from BDO. The Chairman asked a similar question regarding whether BDO's staffing resources would be sufficient to cope with any unexpected illness etc. Barry Pryke explained that the team was very much the same as the previous year, which provided continuity and now a greater understanding of how of the Council's systems operated. He believed there were sufficient people to undertake the necessary work, aided by some of the work being undertaken earlier.

It was resolved

To note the report and to receive a further update report at the March Committee meeting.

**63. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 30<sup>TH</sup> NOVEMBER 2017**

In introducing the report, (published as a draft for this Committee, as it had been prepared in advance of the same report received by General Purposes Committee that morning) the Deputy Section 151 Officer highlighted that the revenue budget was showing a stable position from the previous report. The current forecast was that the overall Council budget would be exceeded by £4.2m at year-end, a decrease of £21k from that reported in October. This included increases in the People and Communities budget pressures offset by improvements in the forecast for funding items, as set out in section 3 of the report.

Although the position continued to be challenging, with looked after children numbers in particular reaching a high level (following the national trend) savings of £28.2m were on track against a target of £33.4m. Paragraph 3.1.2 set out details of Strategic Management Team's proactive response to address the predicted deficit.

The Capital Programme was forecasting a balanced budget at year end which included use of £13.4m (49%) of the Capital variations Budget as detailed in section 6 of the report. As further explanation of the table at the top of page 59 above paragraph 6.2 using Economy, Transport and Environment (ETE) as an example, the three bar charts showed the spend to date of £29m (top horizontal bar), the Forecast Expenditure (middle horizontal bar) which was £76m and the Revised budget (bottom horizontal bar) which also showed £76m as slippage would be used by the end of the year.

Councillor Bates highlighted an issue that had been raised in relation to recommendation c) of the report which was to approve an additional £197k of prudential borrowing in 2017-18 for County

Farms investment projects as detailed in section 6.8. There was a timing issue as this was also a recommendation to Commercial and Investment Committee which was not meeting until later in the week and was the responsible committee to consider the matter. Therefore, recommendation c) had only been agreed in principle. As a result of this and other issues on the capital programme approval process, this was to be referred on to Constitution and Ethics Committee for a clarification note to be provided.

In discussion there was a request for further clarity, on the performance indicators set out on page 49 as listed below as, as currently represented on the pie charts they did not provide sufficient explanation particularly:

- what was meant by “near to target”?
- did decreasing always mean getting worse, there was no comparison to a previous period to provide context?
- does this page, or somewhere later on explain what the key changes were for outcomes?
- how does the 6.62 **days lost through sickness** compare to previous periods or to public sector norms? In response it was explained that this was a slight improvement on the previous month. In terms of comparison with other public sector organisations such as the NHS, this was a relatively low level of sickness. **It was suggested that a comparison figure with the previous year would be helpful to include.**
- The Chairman highlighted that in respect of a transformation report previously received, it had provided more detail on projects. In response, it was explained that the information provided was not designed to replace transformation update reports.

T Barden

On page 50:

- One column headed ‘Trends since April 2017 staying the same or increasing’ - it was suggested that it would provide greater clarity if the column headed ‘April 2017 the year start’ also included actual numbers, to give context and to be able to see the extent of change.
- **Page 57** – Change in P&C indicators: on the text reading: *“Following discussion with GPC earlier in the current year, a revised set of measures are being developed with service leads. The 2016/17 indicators will continue to be reported until the new ones have been signed off by the service”* there was a request for an update on progress.

In response to some of the queries raised above, it was clarified that the aim of the format was to provide General Purposes

Committee (who were the client Committee for the report) with an easy-to-view, high level, strategic summary. The detail on performance indicators (of which there were 87) was provided in the separate reports to the individual service committees being the appropriate place to receive and comment on and monitor the detail on the performance indicators within their terms of reference.

It was explained that the update provided was not the complete picture, as service committees were currently looking at their individual basket of indicators to establish their appropriateness going forward. Once this exercise had been completed, this would go back to the Service Committee meetings and following that, would be included in an updated version on within the GPC report.

**Action: In terms of the timetable for revised performance indicators, the lead officer would check and provide an update outside of the meeting and also give further consideration to improving the clarity of the information provided.**

T Barden

- **Page 64 - table with details of level of debt outstanding owed to the Council** - the Chairman expressed his continued concerns regarding the level of money that the Council were missing out on. The position to the end of November were still considerably higher than the targets for year end and he queried whether they could be achieved. In response it was explained that more realistic targets had been set for debt recovery on outstanding invoices going forward as agreed by GPC earlier in the year. To provide context, the County Council had only written off circa £300k of outstanding debt compared to the hundreds of millions of pounds that it billed. **Action: The Chairman asked for an update briefing within the next month on progress in advance of the next update progress report to be included for the May Committee.**  
*(note this would be a change from what was currently on the forward plan which showed a progress report on debt recovery coming to the March Committee meeting)*

T Kelly to raise with Chris Law regarding briefing Chairman / Vice Chairman

RVS to amend forward plan

- With reference to pages 73-80, the Chairman expressed his continued concern regarding Children and Young People Committee area budget overspends which for the last three years he had been promised would become more accurate. Another Member suggested that in respect of 'Home to School Transport' some benchmarking should be looked at with other authorities to compare performance, as this area had been a particular concern for many years. In discussion the Chairman of the Economy and Environment Committee reminded the Committee that in respect of 'Children in Care' / 'Looked after Children (LAC) Placements' which the Chairman and Vice Chairman was particularly concerned about, these were demand-led services and were difficult to predict, as children



were often taken into care during the year. They also needed to be seen in the context of a County with a continued growing population and therefore increased demand on services. Another Member however questioned why it was year-on-year the demand for the services continued to be underestimated / under budgeted for. In response the Deputy Section 151 Officer acknowledged that the LAC / child protection figures had grown larger than expected, leading to the budget pressures which was also compounded by the savings figures sought each year. Going forward the budgets were being set at more realistic levels, an example being the LAC budget which for the current year was £14.5m and would be increased to £19m for 2018-19. It was highlighted that GPC who had met that morning would be recommending to Full Council an additional 2.99% Council Tax increase to help finance the pressures.

Due to the continued concerns it was recommended and agreed that **officers should provide a presentation as part of the next Committee on historical demography and budget pressures and how the Children's Budget would address these for 2018-19 and beyond. This should involve the two officers present, along with the Director of Children's Services.**

T Kelly / T  
Barden / L  
Williams

**64. CHANGE IN ORDER OF THE AGENDA - FENLAND ASSOCIATION FOR COMMUNITY TRANSPORT (FACT) UPDATE CLARIFICATION OF DATE OF SPECIAL MEETING**

The Chairman (with reference to the item on the Forward Agenda Plan) asked for an oral update on the possible date for the special meeting to discuss the FACT report. The Head of Internal Audit clarified that the date would not now be in March but was more likely to be April / May and would require a meeting of at least two to three hours.

**65. INTERNAL AUDIT PROGRESS REPORT TO 31<sup>ST</sup> DECEMBER 2017**

This report provided an update on the main areas of audit coverage and the key control issues arising for the period 1<sup>st</sup> November 2017 to 31<sup>st</sup> December 2017.

Paragraph 1.1 to the main report appendix listed the audit assignments which had reached completion since the previous Committee report with Section 6 providing more detail on the summaries of completed audits with satisfactory or less assurance. Table 2 set out the audit assignments which had reached draft report stage. Further information on work planned and in progress was set out in the Audit Plan attached as Appendix A.

Section 2 - 'Fraud and corruption update' – included details of:

- The investigations caseload of the Internal Audit team provided in Table 3.
- Details of the National Fraud Initiative.

Outstanding management actions at the end of November 2017 were summarised in Table 5, which included a comparison with the percentage implementation reported at the previous Committee. A summary of the outstanding recommendations, and the progress with implementing them, was provided in Appendix B of the report. Regarding the request made at the previous meeting for an update on the status of the management responses where the timeframe was for completion by December or before, the intention had been to provide an oral update. This was unable to be actioned at the meeting due to the absence of the Audit and Risk Manager as a result of sickness. **Action; the requested updates should be provided outside of the meeting.**

M Kelly

Section 5 'Other Audit Activity' provided an update on ;

- Project Management Methodologies
- Pressures on the Internal Audit Plan detailing changes to the Plan.

The Chairman requested **that an update on the agreed 'Risk management health check and benchmarking review' agreed at the last meeting to be undertaken by the Council's insurers, Zurich should be provided as part of the Internal Audit Progress Report for the next meeting.**

M Kelly

It was resolved:

To note the contents of the update report.

## 66. AUDIT AND ACCOUNTS FORWARD AGENDA PLAN

In advance of the meeting, the members of the Committee had been circulated by email a request from the Finance Team to move the current dates in May and July to better accommodate the requirements for reporting on the Accounts and to give as much time as possible to provide finalised versions. As a result of the above and the earlier update on the likely availability of the external consultant FACT investigation report, in discussion the following changes / dates were agreed:

- The May meeting date would be kept, but might become the meeting to consider the FACT report.
- **To hold an additional meeting on 12<sup>th</sup> June to receive the draft Accounts and possibly other reports currently scheduled for the May meeting.**

RVS

- **To move the current date of Thursday 26<sup>th</sup> July to Monday 30<sup>th</sup> July**

**RVS**

The Forward Plan with the above changes was noted.

**67. DATE OF NEXT MEETING – 2.00 P.M. 27<sup>th</sup> MARCH 2018**

Chairman  
27<sup>th</sup> March  
2018