

AUDIT AND ACCOUNTS COMMITTEE



Date: Tuesday, 29 November 2016

Democratic and Members' Services

Quentin Baker

LGSS Director: Law and Governance

14:00hr

Shire Hall

Castle Hill

Cambridge

CB3 0AP

Room 128

Shire Hall, Castle Hill, Cambridge, CB3 0AP

AGENDA

Open to Public and Press

1. **Apologies for absence and declarations of interest**
Guidance on declaring interests is available at
<http://tinyurl.com/ccc-dec-of-interests>
2. **aac160920 Minutes** **5 - 22**
3. **Audit and Accounts Committee Action Log 20th September**
To follow
4. **aac161014 Minutes** **23 - 30**
5. **Cambridgeshire County Council Workforce Strategy Update** **31 - 36**
6. **Annual Audit Letter 2015-16** **37 - 52**
7. **Changes to arrangements for the appointment of External Auditors** **53 - 62**

8.	Integrated Resources Performance Report to end of August 2016	63 - 84
9.	Internal Audit Progress Report for November Committee	85 - 104
10.	Review of Ely Archives Project	105 - 110
11.	Safer Recruitment Update	111 - 136
12.	Trading Units update	137 - 140
13.	Forward Agenda Plan update 11th November 2016	141 - 150

The Audit and Accounts Committee comprises the following members:

Councillor Michael Shellens (Chairman)

Councillor Barry Chapman Councillor Sandra Crawford Councillor Roger Henson Councillor Peter Hudson Councillor Mac McGuire and Councillor Peter Topping

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: 20th September 2016

Time: 2.00 – 5.08 p.m.

Place: KV Room, Shire Hall, Cambridge

Present: Councillors: S Crawford, R Henson, P Hudson M Shellens, (Chairman) and Peter Topping (Vice Chairman)

Apologies: Councillors: B Chapman and M McGuire

Action

240. DECLARATIONS OF INTEREST - None

241. MINUTES

The minutes of the meeting held on 12th July 2016 were confirmed as a correct record and were signed by the Chairman.

It was agreed that the Minute Action Log would be taken later in the meeting.

242. RISK MANAGEMENT REPORT

This report provided:

- details of the profile of Corporate Risks faced by the Council,
- details of significant changes to the Corporate Risk Register since the last report to the Committee in June 2016,
- the profile of risks faced by corporate and executive directorates,
- a comparison of Corporate Risk Register details from other authorities.

It was reported that the Corporate Risk Register had been reviewed by Strategic Management Team (SMT) on 12th August who concluded that it was a comprehensive expression of the main risks facing the Council and that mitigation was either in place, or in the process of being developed to ensure that each risk was appropriately managed.

Appendix 1 to the report showed the profile of Corporate Risk against the Council's risk scoring matrix. The following risks were still shown as red rated:

- Risk 1a) Failure to produce a robust and secure Business Plan over the next 5 years
- Risk 1b) Failure to deliver the current 5 year Business Plan 2016-2021
- Risk 9 'Failure to Secure Funding for Infrastructure'

The full Corporate Risk Register was set out as Appendix 2 with Members of the Committee having been provided with colour A3 copies.

In terms of updating the Corporate Risk, SMT had agreed to the rewording of Risk 22 and 30 as detailed in paragraphs 2.2 and 2.3 of the report.

The table in paragraph 3.1 provided an analysis of Directorate Residual Risks as at August 2016 illustrating that there were 64 risks recorded in service risk registers. Actions were planned against the previously reported red risks for ETE and CFA.

Commenting on the schedule Members made the following comments:

1a) Failure to produce a robust and secure Business Plan over the next Five Years

With reference to 'Key controls / Mitigation', the Chairman commented that robust political leadership should also be included, failure to recruit key staff should be a trigger, and that a new Council in May 2017 represented a risk in this area. Furthermore the possibility of the financial failure of the Council should be reflected in the result section.

1b) Failure to deliver the current Five Year Plan 2016-21

The Chairman suggested that key risks to be considered should include failures of invest to save proposals / the transformation agenda and the potential adverse effect of a reduction of the supply of workers taking low paid jobs, especially in the care sector, following the European Union Referendum. The latter could have significant implications for the Council, as could the knock on effect of wage inflation. He highlighted an article which he had copied and passed around to Members at the meeting, highlighting that the minimum requirement for non-EU work visas next year was due to rise from just over £20,000 a year to £30,000 and required to be a graduate level job. The article suggested only one quarter of all jobs in Britain met the conditions for the most common non EU work visa and as a result, few in the unskilled public sector would meet the criteria.

9. failure to secure funding for infrastructure

In respect of schools funding, the Chairman made reference to a reduction in funding (£34m to £4m) asking whether the figures for post 2016/17 were available. **Action:** The lead officer undertook to provide a note outside the meeting.

D Thorp

15. Failure of the Council's arrangements for safeguarding vulnerable children and adults

Reference was made to the risk in relation to failure to undertake the necessary safeguarding DBS checks for drivers undertaking home to school transport. This was brought up again later in the meeting. There was a request for a follow up to the report previously received by the Committee In June.

Rob Sander-son (RS) to contact Paul Nelson

The Chairman commented that another risk to vulnerable children / adults was any increased reluctance for people to come to work for the Council, or as a result of a high turnover of staff.

20. Non Compliance with Legislative and Regulatory Requirements

The Chairman highlighted that high levels of staff turnover and not having time to train new staff could have an adverse impact in this area.

26. Increasing Manifestation of Busway Defects

Loss of income as a result of disruption of services during repair work was seen as an issue.

General Points

As a general issue on risks, the Chairman highlighted three issues of concern that he had:

- i) The risk that the lack of Council funds would lead to gaps in service provision and the inability to achieve the Council's aims.
- ii) The risk that the failure to recruit to low paid jobs could lead to serious issues, such as a lack of supply of care providers.
- iii) The need to look at not only the services the Council was providing, but also identifying those services that it ought to, but was not, or was no longer able to provide.

The lead officer indicated that he would take the points back to SMT for their consideration and provide a response before the next Committee meeting.

D Thorp

There was a query on whether risk 1a had increased, with one Member suggesting that Appendix 1 showing the Corporate Residual Risk, as reproduced in black and white, made it unclear whether some of the circles were emboldened to indicate that there had been an adverse change. In response it was highlighted that the only risks that had changed since the last report were those for Risk 22 and 30 as detailed in the report. The Chairman suggested looking at including diagonal lines / cross hatch to highlight changes. **Action: Officers agreed to look again at the presentation in Appendix 1.**

**D Thorp /
Sue
Norman**

With respect to appendix 3 providing an analysis of what was included in other Councils Corporate Risk Registers, the Chairman suggested further analysis could be undertaken on the data provided to identify those areas not included on the Council's current register and whether they should be considered for inclusion, highlighting examples such as cyber security / attack and terrorist attacks. Other areas could be the impact of Syrian refugees and an insufficient local home care market. **Action: Officers agreed that they would undertake a review of the data to see if there were any areas not included on the current County Council Corporate Register which could be a useful**

**D Thorp /
Sue
Norman**

addition and that SMT should be asked to consider.

The Vice Chairman went on record to congratulate Sue Norman from Internal Audit on the research work and presentation of the data in appendix 3 and that the conclusion that could be drawn from the comparison data being was that that the County Council's approach to risk management was mainly in looking in the right areas.

It was resolved:

To note the update report.

243. INTERNAL AUDIT PROGRESS REPORT

In the absence of the Chief Internal Auditor this report, was introduced by Neil Hunter the Head of Audit Consultant and provided an update on the main areas of audit coverage and the key control issues arising for the period 1st June 2016 to 31st August 2016.

Paragraph 1.1 listed the audit assignments which had reached completion since the previous Committee report. Table 2 set out the audit assignments which had reached draft / interim report stage. Further information on work planned and in progress was set out in the Audit Plan attached as Appendix A.

Attention was drawn to two assignments concerning Children, Families and Adults (CFA) schools which had only received limited assurance. In respect of 'Histon Early Years - safe recruitment', it was highlighted that it had only been possible to provide limited assurance as three teaching staff had been employed before the DBS checks were received. This was a serious concern to Committee Members after all the work that had been undertaken to ensure schools were made aware of their safeguarding responsibilities. The Chairman asked whether the Headteacher could be asked to attend to explain this serious breach of the Council's recruitment safeguarding procedures. **Action: It was agreed this would be taken up with Keith Grimwade (KG) outside of the meeting and would require a note of explanation before the November Committee meeting.**

**Rob
Sander-
son to
contact
KG**

In further discussion later on the same report, the Chairman raised the issue of what dissemination was undertaken in respect of making all schools aware of both good and bad practice that had been found during audit inspections of schools. **Action: To include in the above report.**

**Rob
Sander-
son to
contact
KG**

Section 2 updated details of fraud and corruption work undertaken. With reference to paragraph 2.1 titled 'Counter Fraud Awareness' and the work to refresh the Council's fraud awareness posters, the Chairman requested an update position on their production and distribution, which the report indicated was still ongoing. The continued delay was a particular concern of his (as the July meeting had been informed that the relaunch was to have taken place in the Summer). It was explained that there had been a further delay due to staff turnover, but the

expectation was that they would be produced in the next quarter. In addition, a new page had now been launched on the Council intranet explaining how staff could report fraud.

Outstanding management actions were summarised in Table 3, which included a comparison with the percentage implementation reported at the previous Committee. There were currently no outstanding fundamental recommendations. A summary of the outstanding significant recommendations, and the progress with implementing them was provided in Appendix B. The majority of the outstanding actions related to a review of deputyships, and senior management were currently finalising an action plan to address them.

Section 6 'Other Audit Activity' detailed work being undertaken in respect of the Transformation Programme. It also provided an update on the implementation of the Galileo audit management system. It was confirmed that the training day of 29th August had been successful and a number of further training dates would be held with intention of rolling out the system at the Milton Keynes Office as the trial site in October 2016. The expectation was that following this the system would be rolled out to Cambridgeshire by the start of the new financial year, April 2017.

Comments included:

- On Appendix B 'Summary of Outstanding Significant and Fundamental Recommendations' the Chairman, in noting that there eight were in respect of vulnerable clients' monies management deputyships, was assured as an oral response that senior management had shared their action plan to address the outstanding actions with Audit (*Post Meeting Note: It had been agreed that Internal Audit would conduct a follow-up review in March, by when it was expected the changes will have taken place*).
- Regarding Appendix A, the Audit Plan, with reference to the Transformation Programme section, the Vice Chairman queried whether 15 days allocated was sufficient for the important area of benefits realisation. In response it was indicated that it was necessary to give the Review a chance before deciding whether more audit resource was required. **Action: Neil Hunter undertook to take up the concern with the Chief Internal Auditor.**

Hunter /
D Wilkin-
son

It was resolved:

To note the report.

244. DRAFT AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT

The Committee received the Audit and Accounts draft Annual Report 2015-16 providing a summary of the activities of the Committee and which, subject to any changes requested by the Committee, would go forward to the Full Council meeting in October.

In looking at the detail the following changes were requested:

Changing the wording to the beginning of paragraph 1.5 to something along the lines of “In its role of overseeing the work of Internal Audit the Committee was advised...” **M Kelly**

Section 2.1 Central Library Enterprise Centre –adding that the review had sought clarification of the role of spokes. **M Kelly**

Paragraph (para) 2.4.4 The first line currently reading “the annual report which was presented to the Committee in June 2016” required the words “Risk Management” after the word “annual” for clarity. **M Kelly**

Para 2.5.2 - The reference to reviewing the Code of Corporate Governance later in 2016-17 required a firm date for receipt by the Committee. **M Kelly**

Para 2.6.2 needed more detail on the key issues considered during the approval process in respect of the Annual Accounts. **M Kelly**

It was resolved:

To approve the Annual Report subject to the changes set out above.

245. ACCOUNT AND AUDIT REGULATIONS IMPLICATIONS ON THE PRODUCTION OF THE STATEMENT OF ACCOUNTS, STATUTORY DEADLINES AND PUBLIC INSPECTION PERIOD

This report detailed the changes to statutory processes contained within the Accounts and Audit Regulations 2015 requiring an earlier timetable for approval. This would necessitate some fundamental changes to the way the Statement of Accounts would be produced in respect of the Audit for the 2017-18 Accounts onwards. As a further change Authorities would also now be required to produce a Narrative Statement.

It was explained that the current statutory deadlines were for the draft accounts to be published by 30th June, and the final approved accounts to be published by 30th September following the conclusion of the audit. The new deadlines required the Draft Accounts to be certified by the Section 151 Officer and published by 31st May and the final, audited accounts to be approved by Audit and Accounts Committee, certified by the Chair of the Committee and the Section 151 Officer and published by 31st July. In addition, the public inspection period of 20 working days, (with notice given to the public at least 14 days in advance) was now changing to a period of 30 working days which applied from 2015/16, with further detail as set out in the report.

The report detailed the implications of the changes, with reduction to the deadlines cutting potentially 61 calendar days (42 working days) from the audit. The implications included needing to start the audit earlier and potentially some areas of the Accounts needing to be audited prior to the

draft accounts being finished. This would require close working between Finance officers and the external auditors and also for a root and branch review on how the accounts were to be presented in future and what to include.

In discussion, the London Borough of Westminster was given as an example of a Council which already operated a very early close down. However, it was also highlighted that they had provided a lot of additional officer resource to enable this, which included external extra resource which could not be provided to all Councils the need for staff to work at weekends.

Another proposal, which would need to be looked at further, was the possibility of having a 'hard close-down' at the end of every month which would require a set of accounts being produced on a monthly basis rather than the current management information format, which just set out the changes to budgets. Again, this change would be very resource intensive. Oldham Metropolitan Borough Council was cited as an example of another Council already doing things differently as they had streamlined what was included in the Accounts, including reducing the number of explanatory notes. This however had implications for due diligence and the audit role undertaken by Members if they were being presented with less detail, or some areas disappeared entirely. (An example provided by the Chairman was the Trading Units accounts information no longer showing Grafham Water which was a change in presentation from the July to the September version of the Council draft accounts).

It was resolved:

- a) To note the report.
- b) To receive an update on progress at the March 2017 Committee meeting.

**I Jenkins
/ S Hey-
wood /
BDO**

246. CAMBRIDGESHIRE COUNTY COUNCIL - REPORT TO THE AUDIT AND ACCOUNTS COMMITTEE – BDO EXTERNAL AUDIT FOR THE YEAR ENDED 2016

This report from the Council's new external Auditors BDO detailed the key findings arising from the audit for the attention of the Committee charged with governance responsibilities.

Apologies were given for the delayed submission of the report to the Committee, the reasons for lateness being due to the recent illness of the BDO Engagement Lead and also that they were unable to start their detailed audit work until later than originally planned. With the support of the Committee, the Chairman agreed to take the report as a late item under his Chairman's delegated powers, as the report was a vital document to be able to consider the Council's Accounts. In doing so, the Chairman and some other members of the Committee expressed their concerns regarding the late production and what appeared to be a lack of resilience at BDO to cover senior staff absences.

In response, while again apologising for the delay, it was explained as clarification, that under auditing standards some tasks could not be undertaken by other staff on the team in the Engagement Lead's absence. BDO's current focus was to complete the Audit and on completion would hold a debrief with the County Council's Finance Team to critique the audit preparation and delivery process to ensure more timely production in future years.

The report indicated that BDO had identified two additional significant audit risks subsequent to the audit planning reported on 6th May 2016. These were in relation to the valuation of property, plant and equipment and the lawfulness of lender option, borrower option (LOBO) loans (set out in their report on pages 7 and 8), the latter of which had the potential to generate material issues (if there was liability requiring restitution – the cost of cancelling / changing the loans).

The identification of LOBO loans had required BDO to change their planned audit scope in order to address this newly emerged, significant risk and related to six loans taken out at different times since 2006. The additional work would look into the history of their approvals. In considering the lawfulness of the decision to enter into the LOBO loans, BDO required evidence whether the Council had, at any time, fully considered the Treasury Management implications of entering into these loans and whether they represented value for money to the taxpayer when compared to borrowing from other sources, such as the Public Works Loan Board. It was explained that External Audit judgements on such loans had to be undertaken on an individual basis taking into account the circumstances of the particular local authority, as no generic response could be given. This was an area where definitive legal advice had not been established. The National Audit Office (NAO) had issued supplementary information which BDO was following confirming NAO's expectations that the audit opinion should take into consideration the legal implications of entering into such loans. It was orally reported that further guidance was expected from NAO the following day, which might include wording that could be used to insert a contingent liability note into an updated version of the Council's financial statements.

BDO had no issues to report in relation to the Annual Governance Statement, subject to review by the Engagement Lead which had not been completed at the time of drafting the report. They were satisfied that the Council had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and anticipated issuing an unqualified value for money conclusion for the year ended 31 March 2016.

The key audit and accounts matters that had arisen in the course of the audit to date were:

- The surplus/deficit on the provision of services reported in the draft financial statements which was overstated by £22.569 million, due to errors identified in the draft financial statements, the first two of which were material in respect of:

- application of Growth Deal funding of £17.422 million in 2015/16 not being recognised in the comprehensive income and expenditure account.
- incorrect treatment of the finance lease associated with Castle Court. The impact of this on the CIES was £1.343 million. This also generated a material balance sheet adjustment which has reduced the value of investment property by £19.957 million and increased long term receivables of £21.300 million.

Management also making non-material adjustments relating to the incorrect recognition of earmarked reserves as provisions, Private Finance Initiative (PFI) life cycle replacement costs incorrectly recognised and the double counting of public health income and expenditure. (The net impact of these issues was to increase the earmarked reserves by £3.804 million).

The resulting changes had been included in the latest version of the financial statements being presented to the Committee.

Subject to the successful resolution of the matters set out in the 'Outstanding Matters' section of the report, BDO anticipated issuing an unqualified opinion on the Finance Statements.

As an oral update it was confirmed that no additional material corrections had been identified between issuing the draft report and the date of the Committee. It was reported, however, that the Council had recently confirmed that it intended also to amend the financial statements to correct the unadjusted audit differences shown in Appendix 2, page 35 of the report and therefore appendix 2 had been superseded.

At the meeting an update of page 19 was tabled providing the most up to date position on the audit work status as at 20th September (appendix 1 to the minutes). Due to the circumstances referred to earlier the update schedule was still showing more amber than BDO would have liked. Of the 13 areas showing amber (i.e. in progress) in the original report dated 14th September status, the following two audit work areas had now been completed:

- a) Cash and Cash Equivalents and
- b) Related party transactions which had now moved to green status.

The audit area 'Journals', shown as not having started on the 14th September version, had now moved to amber status as the data delay issues had been resolved, with the data having been received by BDO the day before the Committee.

Details on the latest progress update against each work area was provided as an oral update.

As already anticipated, the Accounts would not be in a position to be

signed off at the present meeting and, as a precaution, Democratic Services, having consulted with officers and the Chairman had booked, Thursday 29th September in case a further meeting was required.

In that the agenda for the Extraordinary Meeting had to be published the following day (21st September) to meet the five day legal requirement and would only be a list of report titles to follow, the Chairman asked for the earliest date when revised papers with updates on the work areas in progress might be available. It was indicated that this would be Tuesday 27th September for almost all areas with the possible exception of LOBOs and the Cash Flow Statement, the latter being impacted by all other areas, but was not expected to generate any issues. There was also the risk that the recently started journals testing could highlight further issues.

External Audit indicated that their focus would be on completing the Audit and that following this a debrief meeting would be undertaken with the Council's Finance Team.

It was agreed that by Tuesday 27th September it would be known if the Committee would be in a position to sign off the Accounts on the 29th, or whether the additional meeting would need to be cancelled and a later extraordinary meeting date sought. The External Audit lead additionally undertook before the 27th to contact the Chairman periodically to update him on progress.

Action: The Chairman requested that the updated report should also provide an estimate of the likely fees to the Council should the LOBOs require restitution.

**I
Jenkins
/ S Hey-
wood**

Issues highlighted in discussion included:

- Castle Court accounting treatment was found to be incorrect, which required the financial statements to be amended from an investment property to a long term receivable as detailed on page 13.
- Page 27 – detailing the action being taken by the Council to address the causes of the significant capital expenditure slippage reported against the Capital programme during the year. In discussion **the Chairman requested a briefing note outside of the meeting on the progress being made by the Capital Programme Management Board. Action**
- Page 29 with reference to the text reading *“The achievement of savings plans are tracked by departments but are not explicitly reported upon other than being referred to in the commentary on individual variances. The CFO recognised this as a potential weakness in control and has introduced a central ‘Savings Tracker’ for 2016-17”* **The Chairman queried whether reference should be included in the future Integrated Resources and Performance reports. Action**

**S Hey-
wood**

**S Hey-
wood**

The Chairman suggested that there should be **a joint report from Finance and BDO in January to analysis the learning points from this year's accounts exercise**. This was agreed by the Committee.
Action.

**I
Jenkins.
S Hey-
wood/
BDO**

The report was noted.

**247. CAMBRIDGESHIRE COUNTY COUNCIL PENSION FUND - FINAL
ISA 260 REPORT TO THE AUDIT AND ACCOUNTS COMMITTEE**

The Committee received the final report detailing the key findings from the Audit undertaken by BDO, who in their oral introduction, thanked the Pensions staff for their co-operation in the Audit process. The report confirmed that no additional significant audit risks were identified during the course of the audit processes and that their material levels had not required re-assessment.

The key audit and accounting matters that had arisen in the course of the audit included:

- Identifying that the valuation of Cambridge and Counties Bank was a significant risk, due to the judgement involved. BDO had been provided with a copy of the valuation prepared for the Fund and BDO's own specialist valuations team had concluded that the assumptions and methods used were not unreasonable, and the valuation produced was appropriate. BDO had identified a non-trivial but immaterial understatement error of £1m (detailed on page 9), but concluded that the value was not materially misstated. A new revaluation would be undertaken for the next year.
- Identifying that the valuation of other unquoted investments was a significant risk. At the time of the report's publication the audit work was not completed and was subject to reconciling the reported valuations to information supplied by the custodian.
- Highlighting difficulties encountered extracting journal data to perform mandatory audit procedures, as the data supplied by Fujitsu did not appear to be complete. The issue had been investigated with the assistance of Council staff and an oral update indicated that it had been resolved.
- Having observed a lack of controls to prevent officers both creating and authorising journal entries in Oracle, no erroneous or fraudulent entries had been identified during the course of the audit. Officers in response acknowledged there was still a gap in this system but that once it was replaced this would no longer be an issue and would be consistent with the approach at Northamptonshire and Milton Keynes.

- It was not possible to reconcile or confirm contributions posted directly to Altair by the LGSS payroll department for Cambridge County Council employees, where LGSS also maintained the employer payrolls. LGSS were investigating ways to improve the controls in this area. It was confirmed as an oral update that the money was there and would not cause any issues for the Accounts and should be clarified by the following Tuesday.
- There was an unreconciled amount of £958,000 but no error in contributions paid.

On the identified pages in the report the following issues were raised:

- Page 6 - Fair Value of Investments (Unquoted Investments) – An oral update highlighted that the information to complete the audit had been received.
- Page 7 - Posting and authorising of Journals – The audit work was expected to be completed by Tuesday.
- Page 11 – Matter 1. *“Our responsibility for forming and expressing an opinion on the financial statements”* The report would be included in the final version on Tuesday.
- Page 13 – Outstanding Matters – Since the original publication substantial work had been undertaken and only the first item was still outstanding in terms of not being in a position to be resolved by Tuesday (final front end narrative section of the Annual Report) but this would not affect the final Accounts.
- Page 14 the deficiencies highlighted were currently the subject of changes to procedures to address the issues identified.
- Page 15 Observations regarding recommendations made by the previous auditors on the 2014-15 Audit
 - 2014-15 Recommendation 2. *“A list of related parties is not held and maintained by the Council (in relation to Pension Fund Members)”* There were no issues with the data received but that the list should be maintained.
 - Recommendation 4 – *“Late contributions are not monitored and therefore not received on a timely basis”*. The suggestion was that all data should be reported to the Pension Fund Committee. .
 - Recommendation 7 – *“Supporting evidence for manual journals is not maintained as such that is readily available”* As an oral update it was indicated that journal work was in progress.
 - Recommendation 9 – *“General Ledger Codes are not*

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Eagles /
P Jack
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always mapped to the correct Financial Statement line Item” As a response it was indicated that steps were being taken to rectify this.

- Page 21 second bullet “*Five year analysis of pension overpayment data not given in Annual Report*” As an oral response Richard Perry from Pensions indicated that the reporting of five years of data was a recent disclosure and that a full five years history was not yet available. He was content with the statement given as a response.
- Page 29-30 - In reply to a question from the Chairman on who would sign off the Draft Representation Letter, it was confirmed it would be the Chairman of the Audit and Accounts Committee and Chris Malyon as the Chief Finance Officer.

The report was noted.

248. STATEMENT OF ACCOUNTS 2015-16

This report presented the draft Statement of Accounts’ 2015-16. As already indicated from the previous reports, as External Audit had not yet finalised the Audit, the Committee would not be in a position to agree the Accounts at the current meeting and an extraordinary meeting had been convened for 29th September. As a result, the Committee was invited to review and comment on their contents.

Comments on the narrative section with suggestions by the Chairman to improve format included:

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| • Paragraph (para) 2.2.7 of the cover report - request to relook at this statement as there was a 50 word sentence. | I
Jenkins |
| • Para 2.2.8 – of the cover report - request to revisit the last sentence as it appeared to be the wrong way around. | I
Jenkins |
| • Page 9 – Appendix 3 section on Statement of responsibilities – full stop required at end of sentence under ‘detail’ title column. | I
Jenkins |
| • Page 6 Accounts bar chart graph titled ‘ <i>RAG Status of KPI</i> ’ by <i>Priority</i> ’ should be cross hatched to aid visual representation. | I
Jenkins |
| • Page 9 Narrative Report - Bar chart requires better visual representation as some bars were almost invisible. | I
Jenkins |
| • Page 19 – Second section - Ely Southern Bypass: Name in first line of text requires to be in capitals as it is a title. e.g. currently it reads: Ely southern bypass | I
Jenkins |
| • Page 48 Line – Last paragraph to be re-worded for clarity | I
Jenkins |

With respect to the Pensions Reserve detailed on page 72 the Chairman raised a question on, in the event of interest rates coming down and discount rates impacted, he would expect reserves to increase rather than decrease, and if in the medium term interest rates increased and the sum in the Accounts came down, what was to stop this money being taken? In response it was explained that the contribution rates were set by the Actuary and the surplus could not be taken as there was still a deficit to recover. Changes in the rates could however lead to a reduction in the contribution required to be put into the Fund by the Council. As it was on a 30 year cycle, the expectation was that there would be a number of iterations.

Page 131 - Notes to the Pension Fund Accounts – table – **explanation to be provided to the Chairman to clarify the presentation of total values “Net Investment assets” in the table outside of the meeting.**

R Perry

It was resolved:

To note the draft Accounts for 2015-16 and to receive a further updated version at an extraordinary meeting.

249. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 31ST JULY 2016

This report which had been agreed by General Purposes Committee at their meeting earlier the same day was presented to allow the Committee to assess progress in delivering the Council’s Business Plan.

Comments / issues raised by Members included:

- **Page 301 - The Chairman requesting a more detailed explanation outside of the meeting regarding the last line entry on Learning Disability Young Adults City, South and East Localities and the text reading: “The remainder of the increase is due to the updating of spending commitments after loading packages onto an automated payments and recording system”**
- Page 303 – It was confirmed that the reference at the end of the first paragraph regarding identifying that savings in the region of £300k could be achieved from jointly funded management posts in the current financial year, was still an achievable expectation.
- Page 311 Barrington Primary - The 126% increase seemed very large. It was explained that the original estimate figures set in December had been refined as costs had increased after the option appraisal had been completed and had been inflated to meet a September 2020 delivery.
- Page 313 6.5 ‘table with a breakdown of changes to funding has been identified in the table below’ - in respect of the budget line on specific grants there was a request for an explanation of the figure -12.7. It was explained that the schemes had slipped and

S Hey-wood

so the grants were being applied over future years.

- The Vice-Chairman asked in relation to the phrase used several times reading “a balanced budget was forecast at year end” whether this was the view of Finance officers or the service area. It was indicated that it was wording put in by Finance from the information provided by the service. The Vice- Chairman asked whether Finance would query or challenge such assumptions. It was explained in reply that variation budgets were already in place and so it was known if slippage had taken place.
- Page 318 - Explanation requested on why there were two negative figures shown in the General Reserves Fund. The response was that these negative balances were based on expected revenue overspends at year end and reflected applications that would be made e.g. for Children, Families and Adults.
- Page 318 Earmarked - Specific reserves – Insurance - The Chairman asked why the movements in 2016-17 was showing zero. The officer responded that this was in fact an error, as there were no plans to use Insurance reserves and that would need to be rectified as it should say 2864 not zero.
- Page 318 - It was noted that the **Transformation Fund** which was for one off funding initiatives to make better savings was forecast to double in size as showing between the balance at July 2016 and March 2017. **There was a request that in due course a report should be received to illustrate the effectiveness / benefits of the spend undertaken.**

**S Hey-
wood**

It was resolved:

To note the report.

250. DRAFT AGENDA PLAN

Noted with the further updates agreed at the meeting including as follows:

- Highways Assets reports on a) Revaluation of Highways Assets and Infrastructure Transport Register and b) Update on the 10 Month Programme to register 6,000 parcels of land purchased for Highways Schemes was being moved from November to January 2017 as being a more appropriate Committee to provide a meaningful update on progress.
- Clarification that the BDO External Audit Plan for 2016-17 due to come to the March meeting 2017 would also include the Pension Fund Plan details. As a result, the entry to a Pension Fund report for July 2017 could be deleted.

RVS

RVS

- June 2017 the entry to Cambridge Library Centre Review (CLEC) Update on Action Plan Progress to date could be deleted.
- As agreed earlier in the meeting, receiving an update report in March 2017 on progress on the proposed changes to the annual accounts process for implementation for the 2017-18 Accounts.
- As agreed earlier in the meeting, there should be **a joint report from Finance and BDO in January to analysis the learning points from this year's accounts exercise.**

RVS

I Jenkins
/ Lisa
Clampin
BDO

I
Jenkins.
S Hey-
wood/
BDO

251. **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 meetings, as set out in the report.

The following issues were raised / comments made with the relevant running order number from the agenda given for cross reference purposes:

2 - Minute 170 Internal Audit Progress Report – Whistle-Blowing Policy relaunch and revised poster

This was ongoing as detailed in section 2.1 of the Internal Audit Progress report and a further update was required as soon as practicable.

M Kelly

3 - Minute 200 Cambridge Library Enterprise Centre Review – Confidentiality Agreement Report

The Chairman to ask Internal Audit to continue to press for a timescale for the production of the report from the Director of Law, Procurement and Governance and to inform him accordingly, as this was a long outstanding request.

M Kelly

4a) Minute 214 ISA 260 Update Report – Six month progress update on the 18 month project to register all 6,000 parcels of land purchased for Highway Schemes with the land registry.

Camille
Rhodes /
(Haggett)

This update was now to be presented to the January Committee meeting

4b) Bank Accounts – Progress on mapping 10 Imprest Accounts to the General Ledger

The Chairman confirmed he still required an update in due course on progress following the completion of the Accounts work, which had had to take priority.

I Jenkins

6. Minute 218 – b) Internal Audit Annual Report 2015-16 Anti-Fraud and Corruption - Alleged theft of cash from library safe

As the Internal Audit recommendations regarding updating the till in use had not been implemented, there was a requirement for an update as part of the next Internal Audit Progress Report.

M Kelly

Minute 218 d) ensuring that where good practice had been identified in schools, this should be shared with other schools' head-teachers and governors.

The Chairman was not happy with the response as set out and would speak to Neil Hunter / Mairead Kelly outside of the meeting.

**Cllr
Shellens**

8. Minute 213 titled 'Systems in place to ensure that Section 106 Funds do not go unspent'

The Chairman made reference to the e-mail to him from Sarah Heywood on the issue of returning unspent monies to developers, which had provided details of outstanding unused Section 106 funds. Having been reviewed the outcomes were either –

- Funds having been applied against applicable expenditure.
- Discussions taking place with the respective developer as to alternative possible uses for the funds and if agreement was not possible, the funds would be repaid.

The Committee endorsed the above approach as the way forward for dealing with unused Section 106 funds.

There was a request for an update via either an email or a report, on any exceptions / where negotiations had required monies to be returned.

11. Statement of Accounts

The following outstanding actions still required responses / an oral update was provided:

- **C) Page 10 Reserves Background - Note for Chairman on Comparative Figures of other counties.**
- **2g) Page 77 Pensions reserve –** The Chairman had requested a more detailed note outside of the meeting. As an update to the Minute Action log text it was noted that this had been provided in an email dated 13th September.
- **2m) Page 108 Property Searches – Request for an explanatory note to be produced**

**I
Jenkins**

**I
Jenkins**

This was still outstanding.

- **2n) Page 109 – Text in 4th para from the bottom of the page**

reading: “The Authority’s maximum exposure to credit risk in relation to investments of £10.1m cannot be assessed generally

Further explanation on this was still required by the Chairman

**I
Jenkins**

13. Minute 233 Internal Audit Progress Report

b) Completed audit – C1 Domiciliary Care – missed and short late calls completed audit

It was agreed that an update on the implementation of the Domiciliary Care Audit should be provided in January as part of the Internal Progress report.

The Chairman requested that this should be highlighted as being the case on the agenda plan.

RVS

c) Implementation of the Galileo Audit Management and Documentation and Reporting system

The update text confirmed that updates would be provided at each meeting as part of the Internal Audit Progress report.

The Minute Log Update was noted as updated orally at the meeting.

252. DATE OF NEXT MEETINGS

Extraordinary meeting – 10 a.m. Thursday 29th September Room 332 Shire Hall, Cambridge

Next scheduled meeting from the meetings calendar 2.00 p.m. 22nd November.

Chairman
22nd November 2016

EXTRAORDINARY AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 14TH October 2016

Time: 10.00 – 10.55 a.m.

Place: Room 128, Shire Hall, Cambridge

Present: Councillors: S Crawford, R Henson, P Hudson, M McGuire and M Shellens, (Chairman)

Apologies: Councillors: B Chapman and Peter Topping (Vice Chairman)

Action

253. DECLARATIONS OF INTEREST - None

**254. BDO ISA 260 REPORT - CAMBRIDGESHIRE COUNTY COUNCIL
REPORT TO THE AUDIT AND ACCOUNTS COMMITTEE AUDIT TO
THE YEAR ENDED 31ST MARCH 2016 – UPDATE VERSION ISSUED
7TH OCTOBER 2016**

The Chairman agreed to take this as a late report as it had not been available at the time of the initial agenda despatch. The reason for urgency was the need to consider it in conjunction with the Council's Accounts report in order to be able to sign off the Accounts at the end of the meeting.

As part of his introduction the Chairman expressed his anger and concern regarding the fact that when agreeing the current revised extraordinary meeting date, having already had to cancel one additional meeting in late September, he had expected that the reports would be available in good time. However, the sheer volume of update reports and continued updates from BDO, including several being tabled that morning, had made it impossible for him or the rest of the Committee to have had time to properly read through the most recent changes in advance of the meeting. He did not consider that the process had been economic, efficient or effective and would require a serious review to ensure there was not a repeat in future years. He added that he did not wish to spend any further time at the meeting discussing matters relating to the process as this would be taken up at a separately scheduled debriefing meeting. He indicated that he would be taking officer advice on whether at the end of the meeting the Committee would be in a position to agree that he could sign off the Accounts.

Lisa Clampin tabled three additional one page documents explaining that these were intended to be received as a supporting written summary of the verbal update being given at the meeting.

It was confirmed that the updated ISA260 report being presented had been sent out to Committee Members in an e-mail on 7th October, followed by hard copies sent out at the beginning of the week.

With reference to the 'Update on Key Audit and Accounting Matters' one page update document, at the request of the Chairman, Lisa Clampin went through the various headings (the full tabled document is included as Appendix 1 to these minutes):

Corrected Misstatements - the update provided a position statement before 7th October and since 7th October. Lisa Clampin highlighted that since the 20 September committee meeting the following issues had been identified and were reflected in the narrative of the revised ISA260 report issued on 7 October:

- £8.489m capital grant in relation to Growing Places Funding had been incorrectly recognised as received in advance. The correction of this error reduced the Council's reported deficit by £8.489m. This had been included as a correction in the latest version of the Accounts.
- The Cashflow Statement had been re-worked following a material error identified in the prior year of £42.496m and to amend the current year figures to reflect the correction of other errors identified in the other parts of the financial statements which impact on cash flows. These changes had been included in the updated version of the Accounts.

Other matters arising since 7th October, and therefore not reflected in the updated ISA260 report being presented, included identifying £29.078m Revenue Expenditure Capitalised Under Statute (REFCUS) having been incorrectly netted off as income in the Comprehensive Income and Expenditure Statement (CIES). This was material and had been amended, but had no impact on the reported deficit in the CIES. £73.200m REFCUS had been found to have been incorrectly netted off in the previous year's CIES. This had since been amended and a narrative note included in the latest version of the Accounts. This change had no effect on the bottom line.

Unadjusted Misstatements - Three had been identified (detail on page 37 Appendix II) but were not being corrected, as County Council management considered them to be immaterial. This was confirmed by BDO. An update of Appendix II 'Audit Differences – Unadjusted Audit Differences' was also tabled (attached as Appendix 2 to these Minutes) which took account of the changes. On this appendix the figure of £1,178m on the DR Expenditure line was an extrapolated figure based on one invoice to Anglian Water for £29k which BDO reported should have been accrued. However, given the County Council was only made aware of this as an issue the night before the Committee, they had been unable to investigate, comment or respond. The Chief Finance Officer was willing to accept it, but would not amend the Accounts, due to its immaterial value.

Significant Deficiencies in Internal Control – BDO informed the Committee that as a follow up to the significant deficiency in internal control reported in the prior year by the previous external auditor, they had considered a number of potential compensating controls highlighted by the Council. One of which was segregation of duties in the requesting

and processing of journals. Before 7th October, audit analysis of journals identified that some manual journals had been posted by budget-holders to their own cost centres. BDO highlighted this as being contrary to the normal procedure of financial officers posting journals requested by budget holders. They considered this had resulted in a lack of effective segregation of duties. Their recommendation was to restrict budget holders from posting manual journals to the cost centres for which they were responsible. The Chief Financial Officer indicated that he did not accept that it was a significant deficiency as a journal entry did not extract money out of the organisation, but simply moved it about. For this reason, unless the Committee instructed him otherwise, he did not intend to change the Council's control processes. His explanation was accepted by the Committee.

Other Internal Control Weaknesses – these were as listed, but were not significant weaknesses and following the Committee meeting, BDO would be meeting with officers to agree recommendations going forward. Council officers indicated that the comment reading “Also the Council was unable to provide a user list for the Swift (adult social care system)” now required updating, as it had been provided that morning.

**BDO/
Sarah
Hey-
wood**

Information Remaining Outstanding – The action stated was that evidence to support the teachers' pension contributions included in the financial statements was still awaited (Payroll report confirming the employee and employer contribution made towards the teachers' pension scheme).

The third tabled page was an update to the 'Summary of Report Findings' audit work status page of the report, included as Appendix 3 to these Minutes. This showed the position as at 13th October. A further oral update indicated:

- that all audit work was now complete other than the Teachers' pension contributions information referred to above. This was not expected to give rise to any significant issues.
- The 'Whole of Government Accounts' was to follow. This was normal practice.

The Chairman asked Lisa Clampin of BDO if in her opinion the Accounts could be signed off. , Lisa Clampin confirmed that they could, as all material misstatements identified by the audit had now been addressed.

It was resolved:

To note the report.

255. FINAL ISA 260 REPORT TO THE AUDIT AND ACCOUNTS COMMITTEE AUDIT FOR THE YEAR ENDED 31ST MARCH 2016 – UPDATED VERSION ISSUED 6TH OCTOBER 2016

It was indicated that Richard Perry from the LGSS Pensions Office had given his apologies, as the revised report had relatively minor changes

since its presentation to the September Committee.

As an oral introduction it was explained that there were very few changes from the report presented to the September Committee meeting, but those that had been made, were listed on page 2 of the revised document.

On page 12 'Outstanding Matters' an oral update was provided against each of the further audit response as follows:

1. 'Receipt of the amended annual report and financial statements' - confirmed it had been received and there were no issues.
2. 'Final Front- End narrative Annual Report' - confirmed it had been received and there were no issues.
3. 'Completion of our Internal Manager and Partner Review Process' The Audit was complete.
4. Subsequent Events Review – This was now complete.
5. Management Representation Letter to be approved and signed - this would take place immediately after the Committee.

The Chairman drew attention to the following:

- Page 3 second paragraph reading “We will issue an updated report should any further significant issues arise from completion of the remaining audit procedures and resolution of outstanding issues”. The Chairman suggested that this was a contradiction to the ‘Summary of Audit Findings’ on page 13 of the report as the latter stated that every aspect of the Audit Work had been completed, with the only issue outstanding being the narrative report, which would not result in any additional significant issues needing to be addressed. **It was confirmed that this was an error and would be changed. Action.**
- Same comment for Page 5 Summary first bullet second line under the heading Audit Scope and objectives reading “subject to the resolution of the outstanding matters set out below”
- Same comment in the text on the same page under the heading ‘Audit Opinion’ reading “Subject to the successful resolution of outstanding matters set out on page12 (which was largely procedural) we anticipate issuing an unqualified opinion on the Fund’s financial statements for the year ended 31 March 2016.”

**Lisa
Clampin
(LC) /
David
Eagles /
DE)**

LC/ DE

LC / DE

In respect of the above, the Chairman on asking the question if BDO still believed they could issue an unqualified opinion, received positive confirmation that this was the case.

- Page 6 under the title ‘Conclusion and Recommendation’ the first paragraph reading “Our Audit work in relation to testing a sample of journals is in progress” was out of date and required changing.

LC / DE

- Page 11 - '5. Written representation which we seek' this would need amending with a re-issued document stating that there were no outstanding matters as it was confirmed that the representation letter had been received that day. LC / DE
- Page 13 – It was confirmed that the Narrative Report had been received the previous day so needed to change from red indicating 'not started' to green indicated that it was 'complete'. LC / DE
- Page 21 Appendix II Audit Differences - third bullet no comma required in the first line after the word "funds" and before the words "and bodies" LC / DE
- Page 21 fourth bullet last line reading ".. in next years accounts" was missing an apostrophe. LC / DE

Lisa Clampin highlighted that in the last bullet on page 21 BDO had suggested that not all disclosure requirements had been met regarding the valuation of the Cambridge and Counties Bank. This would require further discussions between David Eagles and Paul Tysoe. The Chief Finance Officer made the point that the valuation of the Bank was open to different interpretations.

DE/ PT

It was resolved:

- a) To note the report.
- b) To request an updated version of this and the previous BDO ISA 260 for the Accounts Report, correcting the errors identified, to be provided to Democratic Services for the minutes and the website. **Action: Lisa Clampin / David Eagles**

256. STATEMENT OF ACCOUNTS 2015-16

The Chairman agreed to take this as a late report as it was not available at the time of the initial agenda despatch as discussions were still ongoing. The reason for urgency was the need to sign off the Council's Statement of Accounts as soon as possible having already missed the statutory deadline date.

The cover report set out developments since the September meeting resulting from discussions between Council officers and BDO to resolve the remaining audit queries. Subsequently a number of changes had been made to the Statement of Accounts as listed in the cover report. In addition, a further update document was tabled at the meeting (included as Appendix 4 to these Minutes) which provided the following listed replacement pages highlighted appropriately to show the changes since the version sent to Members on 8th October and reflecting as agreed with BDO:

- page 28 Comprehensive Income and Expenditure Statement

table

- page 30 Cash Flow Statement
- page 52 Notes to the Core Financial Statements
- page 53 Notes to the Core Financial Statements
- page 54 Notes to the Core Financial Statements
- page 73 Notes to the Core Financial Statements
- page 77 Notes to the Core Financial Statements
- page 78 Notes to the Core Financial Statements
- page 79 Notes to the Core Financial Statements

The changes had resulted in an increase in the gross expenditure and income figures by £29m in 2015-16 and £72m in 2014-15 but this had no effect on the bottom line.

On page 30, the Cash Flow Statement, attention was drawn to an additional line under investing activities titled 'cash payment for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI (Private Finance Initiative) contracts (Principal)'. This now included the movement on the PFI liability which had been included in the line titled 'other receipts from financing activities' in the previous Cash Flow Statement.

The REFCUS adjustments outlined above had also been reflected in the updated Cash Flow Statement. Capital Grant Receipts were now disclosed separately on the face of the Cash Flow Statement, rather than being listed as 'other receipts from financing activities' as in previous versions.

A query was raised regarding the Comprehensive Income and Expenditure Statement on the line titled 'surplus on re-valuation of long terms assets £-72,986,000' and how this related to income, as it seemed more like a balance sheet item. It was explained this was the definition required to be used to comply with the Code of Practice, while accepting that it does suggest that it was an expenditure item.

In further discussion as there were no further material changes to the Accounts identified, the Committee unanimously,

resolved:

To approve the 2015-16 Statement of Accounts for formal sign off by the Chairman and Chief Finance Officer.

257. DATE OF NEXT MEETING 2.00 P.M. TUESDAY 22ND NOVEMBER.

Chairman
22nd November 2016

CAMBRIDGESHIRE COUNTY COUNCIL WORKFORCE STRATEGY UPDATE

To: **Audit and Accounts Committee**

Date: **22nd November 2016**

From: **Lynsey Fulcher, Workforce Planning and Strategy Team**

Electoral division(s): **All**

Forward Plan ref: **N/A** *Key decision:* **No**

Purpose: To provide Committee with an update on the work undertaken to date on the development of a workforce strategy for Cambridgeshire.

Recommendations: The Committee is asked to note the contents of the report.

<i>Officer contact:</i>	
Name:	Martin Cox
Post:	LGSS Head of People.
e-mail:	mcox@northamptonshire.gov.uk

1.0 PURPOSE

- 1.1 The purpose of this report is to provide Members with an update on the progress of the Cambridgeshire County Council Workforce Strategy.

2.0 BACKGROUND AND APPROACH

- 2.1 The LGSS Workforce Planning and Strategy team were formed in June 2016 following the identification of a need for some support in the area of workforce planning across LGSS partners. The aim of the team is to provide a centre of excellence for our partners and customers providing strategic support and direction in

workforce planning, profiling and strategy. Since the team's formation, a significant amount of work has started on analysing the workforce profile of Cambridgeshire County Council (CCC) to identify where the critical workforce gaps and hard to fill roles are within the organisation.

- 2.2 We are in the process of meeting with Directors, Heads of Service and key managers across the authority. Using a workforce planning tool that we have designed and developed, in addition to the intelligence sought from HR Advisory teams and workforce data, we are starting to build a picture of the current challenges, gaps and changes facing the Cambridgeshire workforce in the coming years.
- 2.3 The development of the strategy is illustrated below. The ongoing meetings with Officers, alongside the analysis of workforce data is part of the assessment stage that will inform the report and strategy.



- 2.4 The workforce planning meetings will have concluded mid-December, and analysis of the information and data that we have received will take place following this. A report will be prepared highlighting the key strategic workforce themes and seeks to provide solutions to address the issues that have been found. This report will inform a draft strategy. It is proposed that this strategy is shared with Members and Senior Officers during January and, subject to Strategic Management Team (SMT) approval, launched within the authority in March 2017.
- 2.5 In addition to the workforce strategy, the team have been supporting the graduate scheme and are leading on the implementation of the apprenticeship levy that comes into effect from April 2017. A positive response to the new apprenticeship scheme has been received, and roles and employees that can be converted to apprentices are already being identified by services across CCC.

3.0 EMERGING THEMES AND EXTERNAL FACTORS

- 3.1 There are many external factors that need to be considered when determining how the Cambridgeshire County Council workforce in 2020 will look. Across the public sector the dual challenge of continuing cost reductions and providing more customer focused services are key drivers of public sector transformation, involving new ways of working and delivering services. The huge growth agenda and changes that the City Deal and Devolution may bring are factors that will change the profile of the workforce, and will undoubtedly affect the competencies and skills that employees will need. National skills shortages in areas such as Social Work, Re-ablement and Planning are external factors that need to be considered in a strategy. Skills and

qualification demands need to be mapped against in-house, local and national learning and development providers.

- 3.2 Meetings that have taken place with Senior Officers so far have already identified common themes emerging. These include the need for innovation, digital awareness skills, as well as a strong requirement for commissioning, commercial and contract management ability. Outcomes from the current work on community resilience will require employees to be more solutions focused, allowing us to build community resilience by helping the community to identify solutions. A further considerations that has emerged is the apparent loss of professional and technical roles as posts have become more generic and 'management' focused in recent years.
- 3.3 The work of the team is now to identify how these external factors and emerging issues will impact upon the workforce that we need in the next 2-3 years, and how we fill any gaps to ensure that our workforce in 2020 is fit for purpose and able to deliver upon the requirements of the Business Plan and 2020 vision.

4.0 SUMMARY

- 4.1 Appendix one provides a proposal of how the final CCC Workforce Strategy may look. 5 key themes will be outlined:
- Our current workforce
 - The strategic context
 - Vision for the future workforce
 - Local and national priorities, and
 - Employee engagement.
- These themes will be supported by an action plan outlining how the actions will be implemented and reviewed.
- 4.2 The Audit and Accounts Committee is asked to note the approach being taken to develop the Cambridgeshire Workforce Strategy, and is invited to review and comment on the proposed framework for the strategy.

Appendices

1. Proposed Workforce Strategy Framework

Source Documents	Location
<i>None</i>	

Proposed Workforce Strategy Framework

- 1. Foreword / message from Leader and CEX**
 1. To include purpose and scope of the strategy
- 2. Introduction**
 1. Our Vision and Ambition
 2. Our Challenges
- 3. Our Current Workforce**
 1. Our People
 2. The diverse nature of the workforce
 3. The current employment picture
 - i. Critical gaps
 - ii. Skills gaps
 - iii. Contractors / agency workers
 - iv. Current skills, competencies and strengths
 - v. The national picture
- 4. The Strategic Context**
 1. Values and competencies
 2. I can, you can, we can
 3. Transformation
 4. Communication
 5. Leadership and Management
- 5. Vision for the Future Workforce**
 1. National and local changes and needs
 - i. Devolution
 2. Harnessing our existing talent, and managing talent
 - i. Talent management
 - ii. Succession planning
 - iii. Talent attraction, management and retention
 3. Bringing in new talent
 - i. Apprentices
 - ii. Graduates
 - iii. Critical business roles
 - iv. Internships
 - v. Recruitment practices
 4. Efficient structures
 - i. Transformation agenda
 5. Performance management
 - i. New ways of working
 - ii. Managing performance issues
 - iii. Innovation
 6. Development priorities
 - i. Workforce development
 - ii. Links with Learning and Development
 7. Working with Partners
 - i. LGSS
 - ii. Highways Contract
 - iii. Commissioning of services
 - iv. Districts
 8. Leadership and management development and capacity

6. National and Local Priorities

1. National demand or drivers
2. Local demand or drivers
3. Future workforce priorities

7. Employee Engagement

1. Recognition and reward
2. Engagement in transformation
3. Staff surveys
4. Communication channels
5. Culture and competencies
6. Employee wellbeing

8. Implementation and Review

1. How will we know if this Strategy is working?
2. Who will be responsible for the plans development, review and implementation

9. Action Plan

1. Detail of the actions need to meet the current and future workforce needs and address the gaps



CAMBRIDGESHIRE COUNTY COUNCIL AND CAMBRIDGESHIRE PENSION FUND

ANNUAL AUDIT LETTER

Audit for the year ended 31 March 2016



EXECUTIVE SUMMARY

Purpose of the letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the financial year ended 2015/16. It is addressed to the Council but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public. It will be published on the website of Public Sector Audit Appointments Limited.

Responsibilities of auditors and the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code), and to review and report on:

- the Council and pension fund financial statements
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to report where we have exercised our statutory powers under the Local Audit and Accountability Act 2014 in any matter and our grant claims and returns certification work.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

BDO LLP

4 November 2016

Audit conclusions

FINANCIAL STATEMENTS

We issued unqualified true and fair opinion on the Council and Pension Fund financial statements on 17 October 2016.

A number of material and non-trivial audit differences were identified by the audit and corrected by management.

We reported our detailed findings to the Audit and Accounts Committee on 20 September and 14 October 2016. We reported on uncorrected misstatements which were immaterial.

USE OF RESOURCES (COUNCIL ONLY)

We issued an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources on 17 October 2016.

EXERCISE OF STATUTORY POWERS

We have not exercised our statutory powers and have no matters to report.

GRANT CLAIMS AND RETURNS CERTIFICATION (COUNCIL ONLY)

We have prepared a reasonable assurance report in relation to the Local Transport Plan Major Projects Chesterton Busway scheme managed by the Council. We concluded that the return submitted to the sponsoring Department in respect of the above scheme was prepared, in all material respects, in accordance with the associated grant conditions subject to two matters which we reported to the grant paying body.

FINANCIAL STATEMENTS

OPINION

We issued unqualified true and fair opinions on the Council and pension fund financial statements on 17 October 2016.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes an assessment of whether the accounting policies are appropriate to the Council's and pension fund's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates and the overall presentation of the financial statements.

Our assessment of risks of material misstatement

Our audit was scoped by obtaining an understanding of the Council and the pension fund and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements.

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing of the efforts of the audit team.

REVENUE RECOGNITION (COUNTY COUNCIL AND PENSION FUND)	RESPONSE	FINDINGS
<p>Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue.</p> <p>In particular, we considered there to be a significant risk in relation to the completeness and existence of fees and charges recorded in the Consolidated Income and Expenditure Statement (CIES) of the Council's financial statements.</p>	<p>Our review of revenue recognition in the Council's financial statements focused on testing the completeness and existence of an increased sample of fees and charges across all service areas within the CIES.</p> <p>For revenue recognised in the Pension Fund's financial statements, we performed tests of control over the reconciliation and verification process for employer returns. We performed sample testing and recalculations to verify the pensionable pay and contribution rates to employer records and returns. We recalculated member and employer contributions rates and compared employer rates to those mandated by the actuary.</p>	<p>No issues were identified from our testing of revenue from fees and charges recognised in the Council's financial statements.</p> <p>We identified a control deficiency in relation to the recognition of contributions in the Pension Fund's financial statements whereby contributions posted directly to the Pension Fund's IT systems from the employer payrolls are not currently reconciled or verified.</p>

FINANCIAL STATEMENTS

Continued

PENSION LIABILITY ASSUMPTIONS (COUNTY COUNCIL AND PENSION FUND)	RESPONSE	FINDINGS
<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation uses inappropriate assumptions to value the liability.</p>	<p>We agreed the disclosures included in the Council's financial statements to the information provided by the pension fund actuary.</p> <p>As the auditors of the Cambridgeshire Pension Fund, we reviewed the controls for providing accurate membership data to the actuary.</p> <p>We reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data using the PwC consulting actuary report for the review of the methodology of the actuary and reasonableness of the assumptions.</p>	<p>Our audit of the Pension Fund identified a difference due to the movement in fund asset values provided to the actuary by Cambridgeshire Pension Fund and the year-end values included in the Pension Fund's accounts. We calculated that the estimated value of the understatement of the Council's share of the pension fund liability arising as a result of this issue was £3.1 million. No adjustment was made to the Council's financial statements in respect of this issue and we were satisfied that this did not have a material impact on the financial statements.</p> <p>No issues were identified in our review of the assumptions used and our work on accounting estimates did not identify any evidence of bias.</p>
OPENING BALANCES - TRANSPORT INFRASTRUCTURE ASSETS (COUNTY COUNCIL)	RESPONSE	FINDINGS
<p>The predecessor auditor identified that the Council does not maintain a sufficiently detailed asset register to support the transport infrastructure assets balance recognised in the balance sheet. These assets had a net book value of £687m as at 31 March 2015. The nature of the assets meant that the Council was unable to construct an asset register to support the existing balance.</p> <p>Due to this issue identified in the prior year, there was a risk that the brought forward balances associated with this category of asset were materially misstated.</p>	<p>We considered the conclusions reached by the predecessor auditor to satisfy ourselves that the risk of material misstatement in the brought forward balances was reduced to an acceptably low level. This included engaging in appropriate technical consultation with our Technical Standards Group.</p> <p>We considered to what extent the Council's recognition and measurement of transport infrastructure assets was consistent with our understanding of the methodology employed by the wider local government sector.</p>	<p>We were satisfied that the balances brought forward in relation to infrastructure assets were materially correct.</p> <p>We obtained sufficient evidence that movements in the infrastructure assets balance during the year were materially correct.</p>

FINANCIAL STATEMENTS

Continued

PROPERTY, PLANT AND EQUIPMENT VALUATIONS (COUNTY COUNCIL)	RESPONSE	FINDINGS
<p>Property, plant and equipment were revalued during the year. The valuations were based on assumptions that are uncertain by nature. There is a risk of material misstatement if inappropriate or inaccurate assumptions are used in the calculation of fair values.</p> <p>Our review of the Council's draft financial statements presented for audit identified that the movement on the value of property due to revaluation was lower than expected in the context of national indices. Specifically, we identified revaluation losses where national indices indicated that revaluation increases would be expected.</p> <p>Given the uncertain nature of the assumptions used and unexpected valuation movements, we considered that the valuation of property, plant and equipment presented a significant risk of material misstatement.</p>	<p>We reviewed the significant assumptions used by the external valuers for accuracy and reasonableness.</p> <p>We confirmed that the basis of valuation for assets valued in year is appropriate based on their usage.</p> <p>We considered the independence, objectivity and competence of the external valuers engaged by management.</p>	<p>We were satisfied that the assumptions used by the valuers were reasonable and that the basis of the valuations were appropriate.</p> <p>Our review of the independence, objectivity and competence of the external valuers did not identify any issues.</p>
LENDER OPTION BORROWER OPTION ("LOBO") LOANS (COUNTY COUNCIL)	RESPONSE	FINDINGS
<p>A number of councils which hold LOBO loans received objections as to the lawfulness of the decision to take this form of borrowing. While no objection was received in relation to LOBO loans held by the Council, the National Audit Office gave guidance to auditors that, where a local authority has material LOBOs, the auditor should complete sufficient work around considerations relating to the lawfulness of the decision to enter into the LOBO agreements and the likelihood of a material liability arising from possible future restitution claims from banks.</p>	<p>We have obtained and reviewed the documentation to establish the conditions under which the LOBO borrowing was taken. We considered whether any factors existed which could give rise to a material liability at the balance sheet date should the decisions to enter into these loans be determined unlawful at a future date. We have taken appropriate legal and technical advice in performing this work.</p>	<p>Our review of the Council's available documentation did not lead us to have any significant concerns regarding the process the Council went through to enter into the arrangements and we concluded that the likelihood of the loans being deemed unlawful, and that a material restitution claim would follow, was remote. We were therefore satisfied that the treatment of these loans in the financial statements was appropriate and no further disclosures were required.</p>

FINANCIAL STATEMENTS

Continued

CLASSIFICATION OF LEASES ASSOCIATED WITH INVESTMENT PROPERTIES (COUNTY COUNCIL)	RESPONSE	FINDINGS
<p>During 2015/16, the Council recognised one of its assets, Castle Court, as an investment property following the completion of capital works to convert it from offices to student accommodation.</p> <p>The property was been leased to a third party and, for accounting purposes, the agreement was treated as an operating lease in the draft financial statements provided for audit.</p>	<p>We reviewed the terms of the associated lease to determine whether or not it had been correctly classified in the Council's financial statements.</p>	<p>We concluded that the nature of the lease agreement was such that it should have been treated as a finance lease and not an investment property. Management amended the financial statements accordingly.</p> <p>De-recognition of the asset in the balance sheet resulted in a reduction in the value of investment properties by £19.957 million and increase of long term receivables by £21.300 million. Associated corrections in the CIES resulted in reduction of other operating expenditure by £12.002 million and financing and investment income by £10.659 million. The net impact of these adjustments was a decrease in the deficit on the provision of services of £1.343 million.</p>

FINANCIAL STATEMENTS

Continued

FAIR VALUE OF INVESTMENTS (CAMBRIDGE AND COUNTIES BANK) (PENSION FUND)	RESPONSE	FINDINGS
<p>The investment in the Cambridge and Counties Bank is unquoted and is valued by an external valuer appointed by the fund.</p> <p>The valuation of the investment may be subject to a significant level of assumption and estimation.</p>	<p>We engaged in discussions at an early stage with officers about their proposed approach to valuation for the current period and ongoing. An external valuer was engaged to undertake the valuation and reported to the Fund in May 2016.</p> <p>We engaged specialist valuations experts within BDO to analyse and assess the external valuation on which the value in the financial statements was based. We reviewed the assumptions and methodology used in the valuation, and the accuracy and appropriateness of these in producing a final valuation.</p> <p>We considered the value held in the financial statements against the results and conclusions of these reviews.</p>	<p>We did not identify any material misstatement of the value used in the accounts as a result of inappropriate assumptions or estimates.</p>

FINANCIAL STATEMENTS

Continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements.

We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonably knowledgeable users that are taken on the basis of the financial statements.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Council's financial statements as a whole was set at £14.935 million. This was determined with reference to a benchmark of gross expenditure (of which it represents 1.5 per cent) which we consider to be one of the principal considerations for the Council in assessing the financial performance.

The materiality for the Pension Fund's financial statements as a whole was set at £22.800 million. This was determined with reference to a benchmark of net assets (of which it represents 1 per cent) which we consider to be one of the principal considerations for the Pension Fund in assessing the financial performance.

We agreed with the Audit and Accounts Committee that we would report all individual audit differences identified in the Council's accounts in excess of £299,000 and in the Pension Fund's accounts in excess of £450,000.

Audit differences - Council

Corrected misstatements

Our audit identified a number of material differences which were corrected by management:

- £17.422 million of growth deal funding applied in 2015/16 which was not recognised in the CIES.
- £29.078m Revenue Expenditure Capitalised Under Statute (REFCUS) which was incorrectly netted off income in the CIES. This had no impact on the reported deficit.
- £71.642 million REFCUS in the prior year which was also incorrectly netted off in the prior year's CIES. As this is material a prior period adjustment was required and a narrative note included to explain the restatement of the prior year comparatives.
- incorrect treatment of the finance lease associated with Castle Court, which was recognised as an investment property in the balance sheet as previously set out on page 6.
- £42.496 million error in the prior year cash flow statement relating to the movement in the pension fund liability. This had no impact on the cash balance brought forward into the current year.

Management also made a number of additional non-material, non-trivial adjustments the correction of which reduced the reported deficit for the year by £31.059 million.

Uncorrected misstatements

Our audit identified two audit differences not corrected in the final financial statements that impact on the reported deficit:

- £468,000 being the projected difference due to an overstatement of accrued expenditure.
- £1.178 million being the projected difference due to an understatement of accrued expenditure.

Correcting for these misstatements would result in the Council reporting a £710,000 higher deficit for the year.

FINANCIAL STATEMENTS

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There were also two uncorrected differences which, if corrected, would have no impact on the reported deficit:

- £3.1 million understatement of the Council's share of the Cambridgeshire Pension Fund liability due to a difference in the movement in fund asset values provided to the actuary by the Pension Fund and the year-end values included in the Pension Fund's accounts.
- £2.139 million arising from incorrect recognition of debtors related to capital grants as receipts in advance..

We consider that these misstatements did not have a material impact on our opinion on the financial statements.

Audit differences - Pension Fund

Our audit found the following audit differences not corrected in the final financial statements that impact on the reported net assets:

- £632,000 relating to double counted contributions in 2016, and understated in previous years, due to a catch-up exercise to correct mistakes in previous years and correct the cumulative position under the 10 year deficit contribution agreement with Magistrates Court Committee.
- £208,000 extrapolated differences between PEN18 totals and amounts included within contributions in accounts.
- £1.000 million relating to the difference in value of Cambridge and Counties Bank due to subordinated loans deducted twice.
- £956,000 associated with unreconciled differences between contributions posted directly to the Pension Fund's IT system and included in employer returns.
- £3.411 million being the reclassification of benefits paid to match the nature of actual transactions associated within each subjective account.

- £703,000 being the difference between the unit price used by the custodian and that used by the investment manager
- £698,000 being the net reversal of incorrect journal entries made during the preparation of the financial statements.

Correcting for these misstatements would reduce the decrease in the fund for the year by £747,000 and would decrease net assets by £115,000.

We consider that these misstatements did not have a material impact on our opinion on the financial statements.

Other matters we report on

Annual governance statement

We were satisfied that the Annual Governance Statement was not misleading or inconsistent with other information we were aware of from our audit.

Narrative reporting

Local authorities are required to include a narrative report in the Statement of Accounts to offer interested parties an effective guide to the most significant matters reported in the accounts. The narrative report should be fair, balanced and understandable for the users of the financial statements.

We were satisfied that the information given in the narrative report for the financial year for which the financial statements are prepared was consistent with the financial statements.

Internal controls

We identified that the main accounting system used by both the Council and the Pension Fund does not prevent officers from authorising their own journals. This matter was raised by the previous external auditor as a significant deficiency in internal control.

FINANCIAL STATEMENTS

Continued

Our testing of journals processed by the Council identified that some manual journals were found to have been posted by a budget holder to their own cost centres. This is contrary to the normal procedure of financial advisors posting journals and results in a lack of effective segregation of duties. We recommended that budget holders are restricted from posting manual journals to the cost centres for which they are responsible.

Our testing of journals processed by the Pension Fund identified the following:

- A control was implemented during the year to address the issue raised by the previous external auditor involving review of the nature of all journals over £50,000. We identified the following issues with this:
 - This control was only performed as a year-end exercise, meaning it would be difficult to recognise an unusual journal.
 - An irregular journal is defined as those above £50,000 that have not been identified as a 'type'. Not all journals over £50,000 were labelled as a 'type', but none were considered irregular during the year-end review.

A number of other areas for improvement in the internal control environment were identified in respect of both the Council and Pension Fund which we have discussed with management.

Whole of Government Accounts (Council Only)

Auditors are required to review Whole of Government Account (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding certain non current assets); liabilities (excluding pension liabilities); income or expenditure.

We have completed our review in accordance with the Group Audit Instructions issued by the National Audit Office. This requires that we compare the information in your Data Collection Tool (DCT) submission with the audited financial statements, undertake testing of completeness and accuracy of WGA counter party transactions and balances, and provide an assurance statement to the National Audit Office.

Our review of the Council's draft DCT submission found a number of inaccuracies which were subsequently amended by management. We concluded that the information in the amended DCT was consistent with the Statement of Accounts and that the counter party transactions and balances were consistent with the accounting records.

We issued our assurance statement to the National Audit Office on 28 October 2016.

USE OF RESOURCES (COUNCIL ONLY)

CONCLUSION

We issued an unqualified conclusion on the arrangements for securing economy, efficiency and effectiveness in its use of resources on 17 October 2016.

Scope of the audit of use of resources

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

As part of reaching our overall conclusion we consider the following sub criteria in our work: informed decision making, sustainable resource deployment and working with partners and other third parties.

Our assessment of significant risks

Our audit was scoped by information obtained from your previous auditor, relevant findings from work undertaken in support of the opinion on financial statements, reports from the Council including internal audit, information disclosed or available to support the governance statement and annual report, and information available from the risk registers and supporting arrangements.

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing of the efforts of the audit team.

SUSTAINABLE FINANCES	RESPONSE	FINDINGS
<p>The Council, like other authorities, is facing a significant reduction in grants. The 2016/17 budget includes expected funding of £542m excluding grants retained by schools which equates to a 12% reduction compared to 2015/16. The Council needs to deliver £51m of savings in 2016/17 alone and £123m over the next five years. This represents a substantial challenge for the Council and will require robust project management and significant transformation of services and the Council as a whole. Inevitably, difficult decisions will need to be made in order to deliver the new priority outcomes based model.</p> <p>There is a significant risk that without appropriate arrangements in place, the Council will fail to deliver the required level of savings.</p>	<p>We reviewed the assumptions contained within the medium term financial plan to assess their reasonableness, reviewed in detail some of the savings plans, both delivered and proposed, and conducted interviews with a number of officers to challenge the proposed plans. We also reviewed the process for designing and implementing plans for new operating models to achieve transformational savings.</p> <p>We reviewed the budget setting process and the in-year financial monitoring to ensure there are robust and accurate processes in place.</p>	<p>The assumptions contained within the medium term financial plan appeared to be comprehensive and reasonable.</p> <p>Overall, in a very uncertain financial future the Council's Budget Plan sets out a path for the sustainable use of resources available.</p> <p>We concluded that the Council understands the financial challenges that it faces and has adequate arrangements in place to manage the financial position in the medium term.</p>

EXERCISE OF STATUTORY POWERS

REPORT BY EXCEPTION

We have not exercised our statutory powers and have no matters to report.

Use of statutory powers

We received an enquiry relating to administration of a traffic calming scheme by the Council. We considered the content of the enquiry and concluded that it did not constitute an objection under section 14 of the Accounts and Audit Regulations 2015 and that it was outside the scope of our responsibilities. The information contained in the enquiry did not lead us to have any serious concerns about the way the Council is managed or led.

Consequently, we have not exercised our statutory powers.

Audit certificate

We were unable to issue the Audit Certificate until the Whole of Government Accounts return had been completed. This was completed on 28 October 2016 and we issued the audit certificate to close the audit for the year ended 31 March 2016 on the same day.

GRANT CLAIMS AND CERTIFICATION (COUNCIL ONLY)

CERTIFICATION WORK

Our review of grant claims and returns for 2015/16 is complete.

Claims and returns

A number of grant claims and returns that were previously included within the scope of the audit have since been removed, but Departments may still seek external assurance over the accuracy of the claim or return.

These assurance reviews are undertaken outside of our appointment by Public Sector Audit Appointments Ltd and are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the Departments, for the following return for the Local Transport Plan Major Projects - Chesterton Busway scheme for 2015/16.

We concluded that the return submitted to the sponsoring Department in respect of the above scheme was prepared, in all material respects, in accordance with the associated grant conditions subject to the following matters:

- No detailed business case or bid document was prepared by the Council in relation to the project as it was initially planned and developed by a third party
- The return submitted to the Department reflected all expenditure incurred on the project, rather than just that incurred during 2014/15.

These matters were reported in our reasonable assurance report to the sponsoring government department.

APPENDIX

Reports issued

We have issued the following reports since our previous annual audit letter.

REPORT	DATE
Audit Plan - Council	6 May 2016
Audit Plan - Pension Fund	27 May 2016
Audit report to the Audit and Accounts Committee - Council	20 September & 14 October 2016
Audit report to the Audit and Accounts Committee - Pension Fund	20 September & 14 October 2016
Annual Audit Letter	4 November 2016

Fees

We reported our original fee proposals in our Audit Plan.

AUDIT AREA	PLANNED FEES	FINAL FEES
Code audit - Council ⁽¹⁾	94,061	94,061
Code audit - Pension Fund	22,410	22,410
Fee for audit services	116,471	116,471
Audit related services:		
- Skills Funding Agency	3,750	3,794
- Local Transport Plan Major Projects	4,000	4,131
Fee for audit related services	7,750	7,925
Non audit related services:		
- None	-	-
Total fees	124,221	124,396

(1) The final audit fees for the audit have not yet been agreed and will be reported separately. The fee shown here is the Public Sector Audit Appointments Ltd scale fee for the audit.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising.. No responsibility to any third party is accepted.

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CHANGES TO ARRANGEMENTS FOR APPOINTING EXTERNAL AUDITORS

To: Audit and Accounts Committee

Date: 22nd November 2016

From: Head of Integrated Financial Services

Electoral division(s): All

Forward Plan ref: N/a **Key decision:**

Purpose: This report summarises the changes to the arrangements for appointing external Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

Recommendation: The recommendations are set out in section 4 of this report.

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1. BACKGROUND

- 1.1. The Local Audit and Accountability Act 2014 has established new arrangements for the audit and accountability of relevant public sector organisations including local authorities, clinical commissioning groups and police and crime commissioners in England.
- 1.2. The Secretary of State for Communities and Local Government decided to implement a phased introduction of the new local audit framework. There is currently a transitional period for local authorities, where the role of appointing external auditors and setting fee levels has been transferred from the now defunct Audit Committee and undertaken by the Public Sector Audit Appointments Ltd (PSAA), a subsidiary of the Local Government Association.
- 1.3. This transitional arrangement comes to an end for local authorities on 31 March 2018 with the audit of the 2017-18 financial statements. The new arrangements require local authorities to opt in to the PSAA sector-led auditor appointments, or appoint their own local external auditors, which can be done either individually or jointly with one or more other authorities by 31 December 2017.
- 1.4. The scope of the audit will continue to be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out local authorities audits must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. It is less likely that small local independent firms will meet the eligibility criteria.

2. LGSS PARTNERS' POSITION

- 2.1. At present the current auditors for the LGSS Partners are all different with KPMG, Ernst and Young and BDO currently appointed as auditors for Northamptonshire County Council (NCC), Milton Keynes Council (MKC) and Cambridgeshire County Council (CCC) respectively. KPMG are also the auditors for Northampton Borough Council (NBC), one of LGSS's customers.
- 2.2. LGSS in 2015-16 has operated with a single integrated closedown team to deliver the financial statements including the external audit management across NCC, CCC and LGSS. This team has recently been expanded to incorporate the accounts and audit for both MKC and NBC.
- 2.3. Therefore there is a strong case to have a single external auditor across all LGSS partners. This will ensure the most effective management of the external audit relationships within the integrated closedown team. In addition a single auditor will enable efficiencies to be achieved in the audit processes and arrangements to help achieve the earlier statutory deadlines for the financial statements across all LGSS Partners.

- 2.4. The purpose of this report is to set out the key considerations and options available to the LGSS Partners to secure a single auditor for all the Partners.

3. OPTIONS FOR LOCAL APPOINTMENT OF EXTERNAL AUDITORS

- 3.1. There are in effect two different approaches available to appoint external auditors with effect from the 1 April 2018, which are to:
- i. Opt in to the PSAA sector-led appointments process; or
 - ii. Establish an auditor panel to advise on the appointment of the local external auditor and to ensure the maintenance of independent relationships.
- 3.2 A recent LGA survey of local authorities found that 58% of authorities were expecting to 'opt in' to a sector led body, rather than appoint their own auditor. A further 35% of authorities were looking to form some kind of collective procurement arrangement.
- 3.3. Each of these options is considered further in the following sections.

Option 1 PSAA Sector-Led National Scheme for Auditor Appointments

- 3.4. The PSAA have been confirmed as the government's sector-led body to manage the auditor appointments for those authorities opting in to this arrangement.
- 3.5. The ability to negotiate lower fees with the firms as a result of being able to offer higher volumes of work is considered one of the main benefits of a sector led approach. The greater the number of authorities that have signed up at the outset, the better the economies of scale that are likely to be achieved. However there is a counter argument that being part of a sector led arrangement will increase costs due to additional requirements that the PSAA may place on any successful audit firms.
- 3.6. The general legal, financial and reputational risks of undertaking a new procurement process would be mitigated for each local authority with this approach. The sector led option would also reduce the finance, procurement, legal, internal audit management overhead and staff time associated with a new procurement and establishing a new Audit Panel (refer to option 2).
- 3.7. There will not be a fee to join the sector led arrangements, however the audit fees that opted-in bodies will be charged by PSAA will cover the costs of appointing auditors. PSAA is not for profit and will pool scheme costs and charge fees on a scale based on size, complexity and audit risk. Surplus funds will also be returned to scheme members. The PSAA believe that highly competitive audit fees will be achieved through the sector-led procurement.
- 3.8. Additionally assurances have not been received from the PSAA that the opt-in arrangements could and would guarantee a single appointment across NCC, MKC and CCC. This is a risk to LGSS in terms of managing the external audit arrangements and relationships within the Integrated Closedown team which is likely to prohibit the efficiencies that can be

achieved by the integrated team. However the PSAA do state that the scheme “will endeavour to appoint the same auditors to bodies which are involved in formal collaboration/joint working initiatives or with combined authority areas, if the parties consider that a common auditor will enhance efficiency and value for money” (PSAA, *Developing the option of a national scheme for local auditor appointments*).

- 3.9. The date by which local authorities will need to formally opt-in to the PSAA sector led appointing person arrangement is 9 March 2017. In addition to the formal agreement for any authority to opt in, the decision must be approved by the Full Council. The expectation is that the PSAA will aim to award contracts to audit firms by June 2017, giving 6 months to plan and organise which firm is appointed to each individual authority before the 31 December 2017 deadline. The expected timetable for the sector-led option is set out below.

Action / Milestone	Date
Invitation to opt in issued	27 October 2016
Full Council approval to opt in	January/February 2017
Closing date for receipt of notices to PSAA to opt in	9 March 2017
PSAA contract notice published	20 February 2017
PSAA award audit contracts	End of June 2017
PSAA consult on and make auditor appointments	End of December 2017
PSAA consult on and publish scale fees	End of March 2018

- 3.10. Authorities will not be prevented from joining the sector-led arrangements in later years but the earliest opportunity to opt in after the closing date will be after 1 April 2018 with the appointment of auditors for 2019-20 accounts. However, in order to be in the best position to negotiate good rates for authorities the PSAA is encouraging as many authorities as possible to opt in from the outset.

Option 2 Appoint an Independent Audit Panel and Locally Procure

- 3.11. There are different options available if an Audit Panel approach is to be adopted which are;
- A separate and individual auditor panel, solely for one Council only;
 - A joint auditor panel with one or more other authorities, such as the LGSS Partner Authorities;
 - Using the services of or using an existing committee or sub-committee to act as the auditor panel (subject to compliance with the other provisions and regulations relating to auditor panels); or
 - Using another authority’s auditor panel to carry out the functions for another Council.
- 3.12. The use of an Auditor Panel and a local procurement would achieve the intended outcome of having a single external auditor for the LGSS Partners. However there are further complexities, risks and costs associated with this approach. For each option above a procurement

exercise will be necessary as well as full Council approval along with funding to meet the costs of a local procurement process. Costs will include the recruitment of independent appointees (members), servicing the Panel, running a bidding and tender evaluation process (and any retenders in subsequent years), letting a contract and managing the contract, and paying members fees and allowances.

3.13. CIPFA has issued guidance on the Auditor panel which can be found at: <http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

3.14. The Auditor Panel must comply with the following requirements:

- The minimum number of members that an auditor panel must have is three;
- There must be a majority of independent members as well as an independent Chair. For a panel meeting to be quorate, there must be a majority of independent members present at the meeting;
- For joint auditor panels, it is likely that each authority will want to have representative members. For each additional member, there will need to be an additional independent member;
- Specific regulations clarify how independence is to be defined for the purposes of auditor panels;
- Panel members should have a certain level of specific knowledge and experience to ensure that the panel carries out its duties effectively. Authorities will need to ensure that they draft panel member job descriptions carefully and advertise widely enough to reach those potential candidates with the correct skills and experience and maximise the number of suitable applicants for those vacancies; and
- Panel members may be paid an allowance and any reasonable expenses covered, but it is for authorities to determine such arrangements themselves.

3.15. Following these principles would mean that the audit panel responsibility could not be transferred to an existing LGSS partner authority Audit Committee, due to the lack of independent members. As such a new Committee would need to be established, which would be expected to work alongside the existing Audit Committees at each LGSS Partner.

3.16. CIPFA have indicated that there is likely to only be the requirement for a few audit panel meetings during the external audit procurement exercise, and very few meetings once the external auditor has been procured. CIPFA have also advised that there would be little involvement from existing Audit Committees other than being informed of progress and decisions and offering comment.

3.17. There are a number of advantages and disadvantages of a local audit procurement exercise, overseen by an Auditor Panel, which vary depending

on the specific type of Auditor Panel that is established. These are set out in Appendix A.

4. RECOMMENDATIONS AND NEXT STEPS

4.1. Taking the advantages and disadvantages of each option into consideration it is recommended that:

- i. LGSS Partners opt-in to the PSAA sector led auditor appointment arrangements on the basis of the cost, complexity, timing and resourcing pressures are considered prohibitive in setting up a local independent Auditor Panel and separate procurement process.
- ii. Prior to the decision being taken by the Full Council to opt-in LGSS officers will write to the PSAA and request to meet with the Chief Officer at PSAA to seek assurance that a single auditor be appointed for the LGSS Partners setting out the clear rationale in terms of the efficiency and value for money that this would achieve.

5. ALIGNMENT WITH CORPORATE PRIORITIES

5.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

5.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

5.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

6. SIGNIFICANT IMPLICATIONS

6.1 Resource Implications

There are no significant implications within this category.

6.2 Statutory, Risk and Legal Implications

These are set out within sector 3 of this report.

6.3 Equality and Diversity Implications

There are no significant implications within this category.

6.4 Engagement and Consultation Implications

There are no significant implications within this category.

6.5 Localism and Local Member Involvement

There are no significant implications within this category.

6.6 Public Health Implications

There are no significant implications within this category.

Source Documents	Location
The Local Audit and Accountability Act 2014 CIPFA Guide to Auditor Panels	Room 128 Shire Hall, Cambridge

Appendix A – Advantages and Disadvantages of the Auditor Panel Approach

Option	Possible Advantages	Possible Disadvantages
Set up own separate and individual panel to oversee separate and individual procurement	<p>Full ownership of the process</p> <p>Fully bespoke contract with the auditor</p> <p>Tendering process more based on local circumstances (within EU procurement rules)</p>	<p>May experience difficulties in appointing majority independent panel members and independent panel chair as per the regulations</p> <p>Will need to ensure that panel members are suitably qualified to understand and participate in the panel's functions</p> <p>Will have to cover panel expenses</p> <p>May not be able to procure at a lower cost, for example, depending on authority location, where there will be a risk of limited provider choice</p> <p>Would not achieve the desired outcome of a single external auditor across LGSS partners</p>
Set up a panel jointly with other authority/ authorities as part of a procurement exercise for a joint contract covering more than one authority or multiple separate contracts	<p>Less administration than a sole auditor panel</p> <p>Will be able to share the administration expenses</p> <p>May be easier to attract suitable panel members from a broader area</p> <p>If procuring a joint audit contract it will still be a locally tailored process and would also achieve some economies of scale</p> <p>If procuring separate audit contracts there would be an opportunity for fully bespoke contracts with the auditor if the group of authorities can agree</p> <p>Would achieve the desired outcome of a single external auditor across LGSS partners</p>	<p>May need to be an element of compromise for a joint audit contract</p> <p>May not end up with first choice of auditor, compared to an individual auditor panel. If a large group of authorities work together and decide to appoint one joint audit contract across all the authorities, a joint panel may be more likely to advise appointment of an auditor it considers suitable for all authorities taken together. However this is not a disadvantage when compared to the PSAA sector-led approach where the auditors are simply notified.</p> <p>Need to agree appointment of members across multiple authorities and set up an appropriate joint decision-making process</p>

Option	Possible Advantages	Possible Disadvantages
Use existing committee or sub-committee	<p>Existing administrative structure in place</p> <p>Existing (sub)committee should already have a better basic understanding of the authority's objectives and requirements</p>	<p>Possible need to appoint new (sub) committee members to comply with independence regulations</p> <p>May not be appropriate where there is more than one authority due to the embedded context in the organisation within which the Committee already operates.</p>
Use another authority's panel	<p>Will not have to set up an auditor panel</p> <p>Arguably most independent option for the authority using the host authority's panel</p>	<p>The panel may not understand the specific needs and context of the authority</p> <p>May need to enter into a formal arrangement with other authorities</p> <p>May be difficult to find an authority willing to enter into such an arrangement</p> <p>May be more difficult to ensure adequate liaison with the authority's own audit committee</p> <p>Loss of control / input into the process and arrangements</p>

**INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING
31ST AUGUST 2016**

To: **Audit & Accounts Committee**

Date: **22nd November 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 the recommendation to General Purposes Committee on 25th October to:

Analyse resources and performance information and note any remedial action currently being taken and consider if any further remedial action is required.

<i>Officer contact:</i>	<i>Member contact:</i>
Name: Chris Malyon Post: Chief Finance Officer Email: Chris.Malyon@cambridgeshire.gov.uk Tel: 01223 699796	Name: Councillor S Count Chairman: General Purposes Committee Email: Steve.Count@cambridgeshire.gov.uk 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 (July)	Forecast Year End Position (August)	Current Status	DoT (up is improving)
Revenue Budget	Variance (£m)	+£0.5m	+1.9m	Amber	↓
Basket Key Performance Indicators	Number at target (%)	38% (6 of 16) ¹	31% (5 of 16) ¹	Amber	↓
Capital Programme	Variance (£m)	+£0.2m	+£0.2m	Green	↔
Balance Sheet Health	Net borrowing activity (£m)	£415m	£418m	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 overspend of £1.9m, which is an increase of £1.8m on the position reported last month. The change in position is largely due to a net increase in Children, Families and Adults (CFA) overspends, particularly in Looked After Children placements. See section 3 for details.
- Key Performance Indicators; the corporate performance indicator set has been refreshed for 2016/17. There are 18 indicators in the Council's new basket, with data currently being available for 16 of these. Of these 16 indicators, 5 are on target. However, 7 indicators are currently rated amber, with 6 of these being within 5% of their target values. See section 5 for details.
- The Capital Programme is showing a forecast year-end overspend of £0.2m (0.1%). This is within Assets & Investments (A&I). Although Economy, Transport and Environment (ETE) and CFA are reporting £4.1m and £1.6m in-year slippage on their capital programmes respectively, this is within the allowances they have been allocated for capital programme variations, giving them a balanced outturn overall. See section 6 for details.

- Balance Sheet Health; the original forecast net borrowing position for 31st March 2017, as set out in the Treasury Management Strategy Statement (TMSS) is £479m. This projection has now fallen to £418m, which is £3m higher than reported last month. The change since last month is due to the forecast for prudential borrowing in 2016/17 increasing from £70m to £73m. See section 7 for details.

3. REVENUE BUDGET

3.1 A more detailed analysis of financial performance is included below:

Key to abbreviations

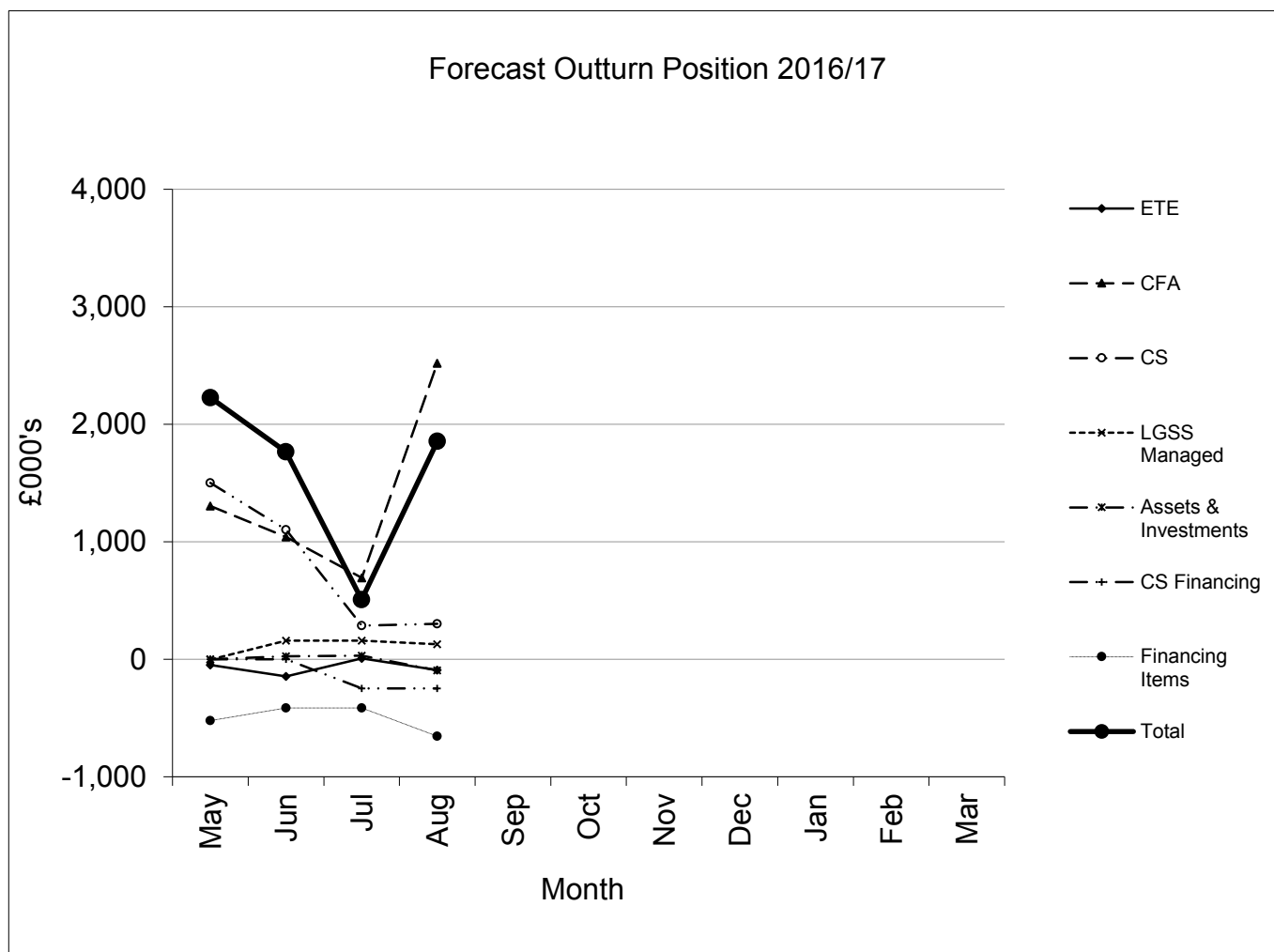
ETE	– Economy, Transport and Environment
CFA	– Children, Families and Adults
CS Financing	– Corporate Services Financing
DoT	– Direction of Travel (up arrow means the position has improved since last month)

Original Budget as per Business Plan £000	Service	Current Budget for 2016/17 £000	Forecast Variance - Outturn (July) £000	Forecast Variance - Outturn (August) £000	Forecast Variance - Outturn (August) %	Overall Status	DoT
59,952	ETE	61,967	7	-93	-0.1%	Green	↑
242,563	CFA	242,310	693	2,520	1.0%	Red	↓
182	Public Health	182	0	0	0.0%	Green	↔
4,674	Corporate Services	4,830	285	301	6.2%	Amber	↓
6,010	LGSS Managed	6,010	157	128	2.1%	Amber	↑
2,711	Assets & Investments	2,714	31	-96	-3.5%	Green	↑
34,206	CS Financing	34,206	-250	-250	-0.7%	Green	↔
350,298	Service Net Spending	352,219	923	2,510	0.7%	Amber	↓
4,677	Financing Items	1,900	-415	-655	-34.5%	Green	↑
354,975	Total Net Spending	354,119	508	1,855	0.5%	Amber	↓
Memorandum items:							
9,589	LGSS Operational	9,682	98	213	2.2%	Amber	↓
222,808	Schools	222,808					
587,372	Total Spending 2016/17	586,610					

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 The forecast variance outturn does not include the £9.3m budget saving in 2016/17 following the change in Minimum Revenue Provision (MRP) policy, which was approved by Council on 16 February 2016.

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:** -£0.093m (-0.1%) underspend is forecast at year-end. There are no new exceptions to report; for full and previously reported details see the [ETE Finance & Performance Report](#).

3.2.2 **Children, Families and Adults:** +£1.675m (0.7%) overspend is forecast at year-end.

- Learning Disability Head of Services** – The Head of Service policy line is currently forecasting an underspend of £1.031m. This is a movement of -£272k from last month. The movement is the result of holding back additional expenditure on vacant posts and contracts to offset against pressures elsewhere in the pool totalling -£186k, and increasing the forecast Clinical Commissioning Group (CCG) contribution to the Learning Disability Partnership (LDP) overspend by -£86k, due to the risk share on the pooled budget.

£m	%
-1.031	(-65%)

The total underspend in this policy line is a result of mitigating actions across the LDP, including holding providers to flat prices

despite costs increasing due to the living wage, negotiating appropriate NHS funding, and holding appropriate posts vacant.

- Learning Disability: In House Provider Services** – An overspend of £374k is forecast for year-end. This is an increase of £209k on the forecast reported last month. The increase is due to a number of provider units expecting to overspend on over-time and weekend/night-working enhancements paid to staff. The remainder of the forecast is a £165k pressure due to the delay until 2017/18 of delivering 2016/17 Business Plan savings. +0.374 (+7%)
- Older People and Mental Health: Central Commissioning** – An underspend of £260k is forecast for year-end. It is anticipated that the rationalisation of domiciliary care as part of the creation of the transition service will deliver an underspend of £200k. A further £60k underspend is expected due to the reduction of respite block beds undertaken based on analysis suggesting we were not fully utilising the blocks. This is being fed into the business planning process for next year. -0.260 (-2%)

These savings are through efficiencies in the better distribution of domiciliary care cars serving the County, rather than a reduction in service to people needing care at home.

- Children's Social Care (CSC): Safeguarding & Standards** – An overspend of £251k is forecast at year-end. This is a movement of +£139k from the position reported last month. The overspend is due to the use of agency staff to cover the increased number of initial and review child protection (CP) conferences and initial and review Looked After Children (LAC) Reviews. The team currently operates with a staff group that was predicated for CP numbers of 192-230 (in 2013) and LAC numbers of 480 (in 2013). These numbers have risen steadily and then recently more sharply to 457 CP and 627 LAC, and show no immediate sign of decreasing. Independent Reviewing Officer caseloads are defined by statutory legislation so extra staff are required to manage that obligation. +0.251 (+14%)

New procedures on better use of staff time to free up capacity are being implemented. The service is also exploring other avenues to secure resource to better manage the current caseloads.

- CSC Units, Hunts & Fenland** – An overspend of £392k is forecast at year-end. This is a movement of +£157k since last month. The overspend is due to the use of agency staff, who are needed to cover vacancies in essential posts to ensure the Council meets its safeguarding responsibilities. +0.392 (+10%)

The implementation of the recruitment and retention strategy for social work staff should decrease the reliance on agency staffing.

The option of recruiting peripatetic social workers over establishment to fill vacancies in the unit model is also under consideration. This would be more cost effective than using agency staff.

- **Looked After Children (LAC) Placements** – An overspend of £2.2m is forecast for year-end, which is an increase of £1.45m on the overspend reported last month. The forecast position reflects a combination of the underlying pressures from 2015/16 (£1.4m), due to more LAC in care than budgeted, and the number of children in care and in placements not reducing as originally budgeted. Furthermore, the recent cohort of children becoming LAC has included children requiring high cost placements due to their complex needs.

Actions currently being taken to address the forecast overspend include:

- A weekly Section 20 panel to review children on the edge of care, specifically looking to prevent escalation by providing timely and effective interventions. The panel also reviews placements of children currently in care to provide more innovative solutions to meet the child's needs.
 - A weekly LAC monitoring meeting chaired by the Executive Director of CFA, which looks at reducing the number of children coming into care and identifying further actions that will ensure further and future reductions. It also challenges progress made and promotes new initiatives.
- +2.200 (+15%)

Over the coming weeks an intensive piece of work is being carried out to look at the funding requirement to deliver services to LAC going forward. This will enable the Council to anticipate the number of children over the next few years in order to set as accurate a budget as possible. Some of the optimism around the LAC savings for both the current year and future years is also being given an in depth review. The outcome of this work may reveal that there is inadequate budget to service the number of LAC in the care system currently and the anticipated LAC numbers going forward. This would be reflected in the forecast outturn position for any impact on the delivery of in-year savings. Any impact to future year savings will be dealt with as part of the current Business Planning process.

The LAC budget is successfully delivering its procurement savings for 2016/17. To date c.£1.4m of savings have been delivered against an annual savings target of £1.5m.

- Other areas in CFA account for the additional +£405k movement in the overall position of CFA since last month, but none meet the exception threshold of £250k for reporting.
 - For full and previously reported details see the [CFA Finance & Performance Report](#).
 - As well as the mitigating actions restricting the forecast overspend to +£2.52m at this point, CFA is continuing to review all expenditure headings to identify further offsetting underspends.
- 3.2.3 **Public Health:** a balanced budget is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [PH Finance & Performance Report](#).
- 3.2.4 **Corporate Services:** +£0.301m (+6.2%) overspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 3.2.5 **LGSS Managed:** +£0.128m (+2.1%) overspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 3.2.6 **CS Financing:** -£0.250m (-0.7%) underspend is currently forecast for Debt Charges. This reflects the fall in the forecast for net interest payable following falls in interest rates across all parts of the yield curve. For full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 3.2.7 **LGSS Operational:** +£0.213m (+2.2%) overspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).
- 3.2.8 **Assets & Investments:** -£0.096m (-3.5%) underspend is forecast at year-end. There are no new exceptions to report this month; for full and previously reported details see the [A&I Finance & Performance Report](#).

Note: exceptions relate 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? High (good) or low	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: 12-month rolling average	ETE	High	At-31-Mar-2016	%	78.7%	80.3% (2015/16 target)	Amber	↓
	Additional jobs created*	ETE	High	To 30-Sep-2014	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	At-29-Feb-2016	%	Gap of 6.4 percentage points Most deprived areas (Top 10%) = 11.5% Others = 5.1%	Most deprived areas (Top 10%) <=12% Gap of <7.2 percentage points (2015/16 target)	Green	↔
	The proportion of children in year 12 taking up a place in learning	CFA (Enhanced & Preventative – E&P)	High	July 16	%	94.1%	96.5%	Amber	↓
	Percentage of 16-19 year olds not in education, employment or training (NEET)	CFA	Low	July 16	%	3.4%	3.3%	Amber	↔
	The proportion pupils attending Cambridgeshire Primary schools judged good or outstanding by Ofsted	CFA (Learning)	High	July 16	%	80.8%	82.0%	Amber	↔
	The proportion pupils attending Cambridgeshire Secondary schools judged good or outstanding by Ofsted	CFA (Learning)	High	July 16	%	55.5%	75.0%	Red	↔

Corporate priority	Indicator	Service	What is good? High (good) or low	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 (Learning)	High	July 16	%	94.8%	100%	Amber	↔
	The proportion of Adult Social Care and Older People's Service users requiring no further service at end of re-ablement phase	CFA	High	June 16	%	52.8%	57%	Amber	↓
	Reduced proportion of Delayed Transfers of care from hospital, per 100,000 of population (aged 18+)	CFA	Low	June 16	Number	578	429 per month (4874.5 per year)	Red	↓
	Number of ASC attributable bed-day delays per 100,000 population (aged 18+)	CFA	Low	June 16	Number	129	114	Red	↓
	Healthy life expectancy at birth (males)	Public Health	High	2012 – 2014	Years	66.1	N/A – contextual indicator	Green (compared with England)	↓ (compared with previous year)
	Healthy life expectancy at birth (females)	Public Health	High	2012 – 2014	Years	67.6	N/A – contextual indicator	Green (compared with England)	↑ (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 (Q4 2015)	Years	2.6	N/A – contextual indicator	N/A – contextual indicator	↔

Corporate priority	Indicator	Service	What is good? High (good) or low	Date	Unit	Actual	Target	Status (Green, Amber or Red)	Direction of travel (up is good, down is bad)
Supporting and protecting vulnerable people	The number of looked after children per 10,000 children	CFA (Children's Social Care)	Low	July 16	Rate per 10,000	46.4	40	Red	↑
	No/ % of families who have not required statutory services within six months of have a Think Family involvement.	CFA (E&P)	TBC	TBC	TBC	TBC	<i>TBC new measure for 2016/17</i>	TBC	TBC
An efficient and effective organisation	The percentage of all transformed transaction types to be completed online	Customer Service & Transformation	High	1 Apr– 30 June 2016	%	70.4%	75%	Amber	↓
	The average number of days lost to sickness per full-time equivalent staff member	LGSS HR	Low	July 2016	Days (12 month rolling average)	6.65	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](#)
- [A&I Finance & Performance Report](#)

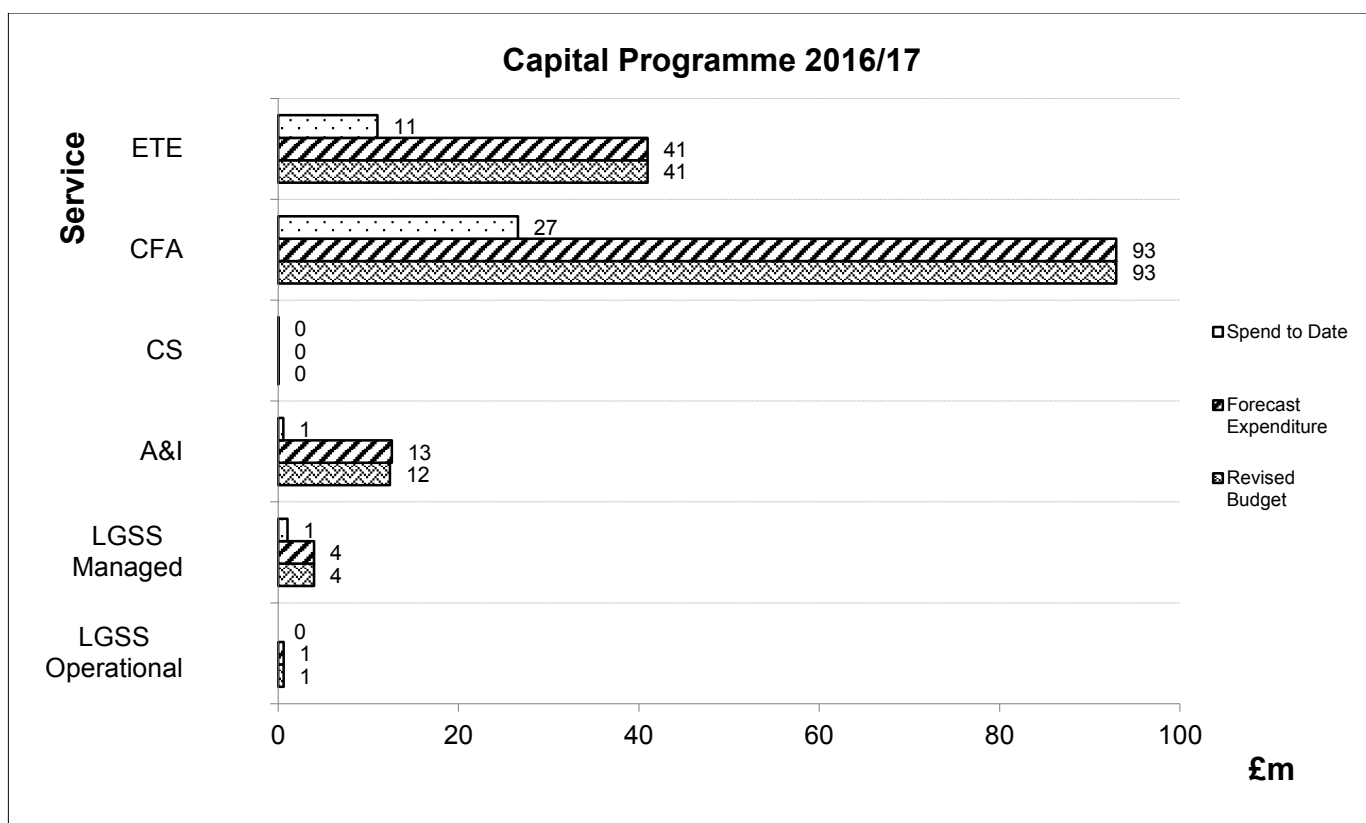
6. CAPITAL PROGRAMME

6.1 A summary of capital financial performance by service is shown below:

2016/17						TOTAL SCHEME	
Original 2016/17 Budget as per Business Plan £000	Service	Revised Budget for 2016/17 £000	Forecast Variance - Outturn (July) £000	Forecast Variance - Outturn (August) £000	Forecast Variance - Outturn (August) %	Total Scheme Revised Budget (August) £000	Total Scheme Forecast Variance (August) £000
71,699	ETE	40,973	-	-	0.0%	415,047	-
97,156	CFA	92,921	0	0	0.0%	543,222	13,984
33	Corporate Services	48	-	-	0.0%	300	-
4,405	LGSS Managed	3,996	-	-	0.0%	15,628	-0
11,397	A&I	12,398	232	195	1.6%	240,310	-1,767
1,104	LGSS Operational	618	-	-	0.0%	1,704	-
185,794	Total Spending	150,954	232	195	0.1%	1,216,211	12,216

Notes:

1. The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted, including the capital programme variations budget allocated to each service. A breakdown of the use of the capital programme variations budget by service is shown in section 6.2.
2. The reported ETE capital figures do not include City Deal, which has a budget for 2016/17 of £7.4m and is currently forecasting an in-year underspend of £0.15m.



Note: The 'Revised Budget' incorporates any changes in the funding available to what was originally budgeted.

6.2 A summary of the use of capital programme variations budgets by services is shown below. As forecast underspends start to be reported, these are offset with a forecast outturn for the variation budget, leading to a balanced outturn overall up to the point when slippage exceeds this budget.

2016/17					
Service	Capital Programme Variations Budget	Forecast Variance - Outturn (August)	Capital Programme Variations Budget Used	Capital Programme Variations Budget Used	Revised Forecast Variance - Outturn (August)
	£000	£000	£000	%	£000
ETE	-10,500	-4,069	4,069	38.75%	0
CFA	-10,282	-1,632	1,632	15.87%	0
Corporate Services	-12	0	0	0.00%	0
LGSS Managed	-1,029	0	0	0.00%	0
A&I	-2,850	195	0	0.00%	195
LGSS Operational	-155	0	0	0.00%	0
Total Spending	-24,828	-5,506	5,701	22.96%	195

6.3 A more detailed analysis of current year 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 balanced budget is forecast at year-end.

	£m	%
<ul style="list-style-type: none"> Connecting Cambridgeshire – a £1.1m in-year underspend is forecast as some of the expenditure on the contract with BT is being re-phased into future years. The work completed to date has been delivered at a lower cost than expected, so the scheme is likely to be extended within the existing funding. The rollout contract with BT includes a “claw-back” provision which requires BT to reinvest any surplus profits into further broadband rollout if take-up exceeds the original forecast. A third rollout phase would significantly reduce the “final 5%” of premises that are not covered by the current rollout. 	-1.1	(-22%)
<ul style="list-style-type: none"> Delivering the Transport Strategy Aims – a number of Highways schemes that were originally budgeted within Cambridgeshire Sustainable Transport and Operating the Network are now being charged to Delivering the Transport Strategy Aims as they fit better within this category. This causes an in-year overspend on Delivering the Transport Strategy, matched by an in-year underspend in the other areas. 	+0.7	(+28%)
<ul style="list-style-type: none"> Operating the Network – as above, a number of Highways schemes have been moved from Operating the Network to Delivering the Transport Strategy Aims. 	-0.5	(-3%)
<ul style="list-style-type: none"> ETE Capital Variation – as agreed by the Capital Programme Board, any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall. There has been a movement of +£1.24m in the outturn for ETE capital variation since last month. 	+4.1	(+39%)
<ul style="list-style-type: none"> For full and previously reported details see the ETE Finance & Performance Report. 		

6.3.2 **Children, Families and Adults:** a balanced budget is forecast at year end.

	£m	%
<ul style="list-style-type: none"> Basic Need – Secondary – a +£1.3m in-year overspend is forecast. This is a movement of +£1.8m on the position reported last month and has been caused by accelerated spend on the St Bede’s program, which is part of the Cambridge City 3 form entry scheme. This has arisen due to works commencing earlier than anticipated to accommodate the fire damage sustained at the school. A revised budget for the project will be known in September 2016, which will include funding from the loss adjuster. 	+1.3	(+3%)

- CFA Capital Variation** – as agreed by the Capital Programme Board, any forecast underspend in the capital programme is offset against the capital programme variations budget, leading to a balanced outturn overall. There has been a movement of -£2.1m +1.6 (+16%) in the outturn for CFA capital variation since last month, reducing the slippage used to £1.6m.
- For full and previously reported details see the [CFA Finance & Performance Report](#).

6.3.3 **Corporate Services:** a balanced budget is forecast at year end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).

6.3.4 **LGSS Managed:** a balanced budget is forecast at year end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).

6.3.5 **LGSS Operational:** a balanced budget is forecast at year end. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).

6.3.6 **Assets & Investments:** +£0.195m (1.6%) overspend is forecast at year-end. There are no exceptions to report this month; for full and previously reported details see the [A&I Finance & Performance Report](#).

6.4 A more detailed analysis of total scheme key exceptions this month by programme for individual schemes of £0.5m or greater are identified below:

6.4.1 **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 see the [ETE Finance & Performance Report](#).

6.4.2 **Children, Families and Adults:** +£14.0m (3%) total scheme overspend is forecast. There are no exceptions to report this month; for full and previously reported details see the [CFA Finance & Performance Report](#).

6.4.3 **Corporate Services:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).

6.4.4 **LGSS Managed:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).

6.4.5 **LGSS Operational:** a total scheme balanced budget is forecast. There are no exceptions to report this month; for full and previously reported details see the [CS & LGSS Finance & Performance Report](#).

6.4.6 **Assets & Investments:** -£1.8m (-0.7%) total scheme underspend is forecast. There are no new exceptions to report this month; for full and previously reported details see the [A&I Finance & Performance Report](#).

6.5 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	20.5	0.2	-1.7	1.0	20.0	20.0	-
Basic Need Grant	3.8	-	-	-	3.8	3.8	-0.0
Capital Maintenance Grant	4.6	-	-	0.1	4.7	4.7	-
Devolved Formula Capital	1.1	0.9	-	-0.0	1.9	1.9	-0.0
Specific Grants	21.1	3.6	-12.7	1.6	13.7	10.9	-2.8
S106 Contributions & Community Infrastructure Levy	30.3	1.1	-3.7	0.1	27.8	27.7	-0.2
Capital Receipts	10.3	-	-	-4.0	6.2	6.2	-0.0
Other Contributions	10.7	0.2	-8.8	0.5	2.6	2.6	-0.0
Revenue Contributions	-	-	-	-	-	-	-
Prudential Borrowing	83.4	10.2	-29.3	5.9	70.2	73.4	3.2
TOTAL	185.8	16.3	-56.1	5.0	151.0	151.1	0.2

¹ Reflects the difference between the anticipated 2015/16 year end position, as incorporated within the 2016/17 Business Plan, and the actual 2015/16 year end position.

7. GRANT ALLOCATIONS

7.1 Where there has been a material change in 2016/17 grant allocations to that budgeted in the Business Plan (BP) i.e. +/- £160k, this will require SMT discussion in order to gain a clear and preferred view of how this additional/shortfall in funding should be treated. The agreed approach for each grant will then be presented to the General Purposes Committee (GPC) for approval.

Education Services Grant (ESG)

The ESG is an unringfenced grant, which is allocated to local authorities and academies on a per-pupil basis that takes account of school type (mainstream/high needs) and status (academy/maintained). Funding will therefore reduce for local authorities if a school converts to an academy.

Based on the expected number of academy conversions during 2016/17 a figure of £4,049,288 was budgeted for the ESG during the Business Planning process. Recent conversions and projections for the rest of the year indicate academy conversions at a slower rate than originally expected, resulting in an increased total ESG funding of c.£4.29m for 2016/17, c.£241k more than was originally budgeted.

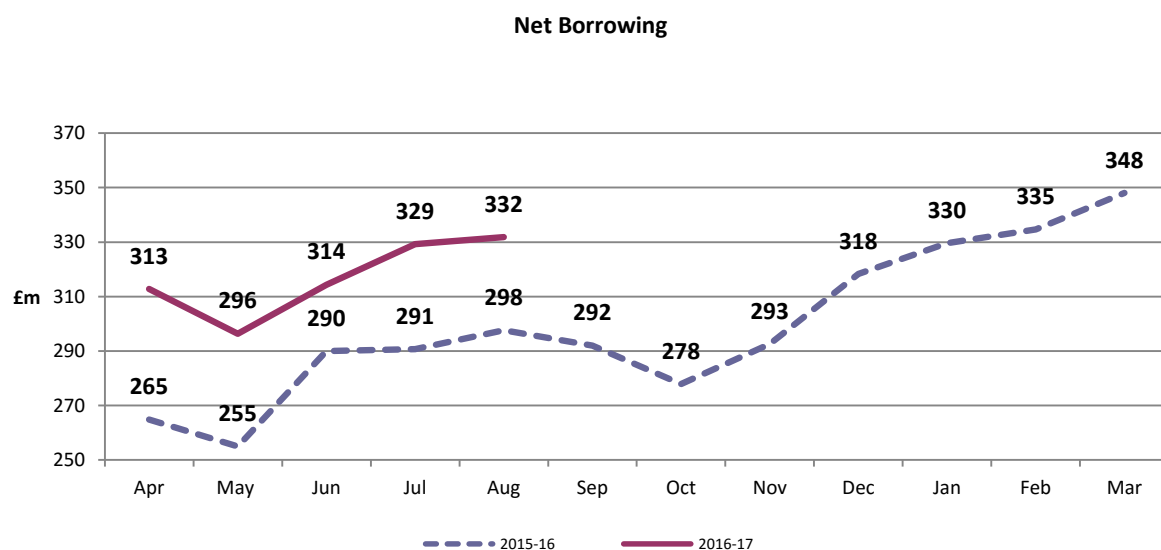
It is proposed that this additional income will be transferred to corporate reserves at year end, subject to General Purposes Committee (GPC) approval. An update to the current reported position will be provided if this projection changes and approval will be sought at year-end once the final figure is known.

8. BALANCE SHEET

8.1 A more detailed analysis of balance sheet health issues is included below:

Measure	Year End Target	Actual as at the end of August
Level of debt outstanding (owed to the council) – 4-6 months, £m	£0.4m	£0.8m
Level of debt outstanding (owed to the council) – >6 months, £m	£1.0m	£2.1m
Invoices paid by due date (or sooner)	97.5%	99.6%

8.2 The graph below shows net borrowing (investments less borrowings) on a month by month basis and compares the position with the previous financial year. The levels of investments at the end of August were £30.2m (excluding 3rd party loans) and gross borrowing was £362.1m.



8.3 Key exceptions are identified below:

Key exceptions	Impacts and actions
Less borrowing activity than planned –original net borrowing forecast was £479m. Actual net borrowing at 31st August was £332m.	<p>A £250k underspend is currently forecast for Debt Charges. This reflects the fall in the forecast for net interest payable following falls in interest rates across all parts of the yield curve.</p> <p>The impact of lower borrowing on the Debt Charges budget would normally result in a favourable forecast variance (due to lower interest payments). However the Debt Charges budget was reduced in anticipation of capital expenditure slippage during the budget setting process, so the magnitude of the variance reported is muted.</p> <p>The Council is continually reviewing options as to the timing of any potential borrowing and also the alternative approaches around further utilising cash balances (where possible) and undertaking shorter term borrowing which could potentially generate savings next year, subject to an assessment of the interest rate risks involved.</p>

8.4 Further detail around the Treasury Management activities can be found in the latest [Treasury Management Report](#).

8.5 A schedule of the Council's reserves and provisions can be found in [appendix 2](#).

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.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	No Name of Legal Officer: Not applicable
Are there any Equality and Diversity implications?	No Name of Officer: Not applicable

Have any engagement and communication implications been cleared by Communications?	No Name of Officer: Not applicable
Are there any Localism and Local Member involvement issues?	No Name of Officer: Not applicable
Have any Public Health implications been cleared by Public Health	No Name of Officer: Not applicable

Source Documents	Location
ETE Finance & Performance Report (August 16) CFA Finance & Performance Report (August 16) PH Finance & Performance Report (August 16) CS and LGSS Cambridge Office Finance & Performance Report (August 16) A&I Finance & Performance Report (August 16) Performance Management Report & Corporate Scorecard (August 16) Capital Monitoring Report (August 16) Report on Debt Outstanding (August 16) Payment Performance Report (August 16)	1 st 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	Assets & Investments	LGSS Operational	Financing Items
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Cash Limits as per Business Plan	242,563	182	59,952	34,206	4,674	8,720	0	9,589	3,915
Adjustment LGSS Managed and Operational						10		-10	
LGSS property virement					10			-10	
Licenses budget from LGSS Op. to CS					17	-17			
Contact Centre budget from CFA to CS	-77				77				
CPFT NHS accommodation budget from CFA to LGSS Man.	-10					10			
Reablement budget from CFA to LGSS Op.	-113							113	
Pupil forecasting/demography budget to research group	-53				53				
ETE use of service reserves			2,015						-2,015
Disaggregation of Assets and Investments budgets						-2,714	2,714		
Current budget	242,310	182	61,967	34,206	4,831	6,010	2,714	9,682	1,900
Rounding	0	0	0	0	0	0	0	0	0

APPENDIX 2 – Reserves and Provisions

Fund Description	Balance at 31 March 2016	2016-17		Forecast Balance 31 March 2017	Notes
		Movements in 2016-17	Balance at 31 August 16		
	£000s	£000s	£000s	£000s	
<u>General Reserves</u>					
- County Fund Balance	18,921	-27	18,894	19,671	
- Services					
1 CFA	1,623	-1,062	561	-1,075	
2 PH	1,138	0	1,138	638	
3 ETE	3,386	-2,015	1,371	0	
4 CS	1,218	0	1,218	92	
5 LGSS Operational	1,013	-702	311	0	
subtotal	27,299	-3,806	23,493	19,326	
<u>Earmarked</u>					
- Specific Reserves					
6 Insurance	2,864	0	2,864	2,864	
subtotal	2,864	0	2,864	2,864	
- Equipment Reserves					
7 CFA	782	0	782	98	
8 ETE	218	0	218	250	
9 CS	57	0	57	57	
subtotal	1,057	0	1,057	405	
<u>Other Earmarked Funds</u>					
10 CFA	4,097	-2,050	2,047	766	Includes liquidated damages in respect of the Guided Busway - current balance £2.4m.
11 PH	2,020	0	2,020	1,445	
12 ETE	6,631	-431	6,200	4,919	
13 CS	1,274	0	1,274	1,207	
14 LGSS Managed	149	43	192	192	
15 Assets & Investments	233	47	280	327	
16 LGSS Operational	130	0	130	130	
17 Transformation Fund	9,891	-158	9,733	18,984	Savings realised through change in MRP policy
subtotal	24,425	-2,549	21,876	27,970	
SUB TOTAL	55,645	-6,355	49,290	50,565	
<u>Capital Reserves</u>					
- Services					
18 CFA	2,428	7,251	9,679	505	Section 106 and Community Infrastructure Levy balances.
19 ETE	11,703	13,767	25,470	10,200	
20 LGSS Managed	422	-322	100	100	
21 Assets & Investments	230	85	315	230	
22 Corporate	39,388	1,530	40,918	21,540	
subtotal	54,171	22,311	76,482	32,575	
GRAND TOTAL	109,815	15,956	125,772	83,140	

Notes:

1. The figures do not include City Deal reserves, which have a current balance of £37.8m and are anticipated to have a year-end balance of £30.4m.

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:

Fund Description	Balance at 31 March 2016	2016-17		Forecast Balance 31 March 2017	Notes
		Movements in 2016-17	Balance at 31 August 16		
	£000s	£000s	£000s	£000s	
- Short Term Provisions					
1 ETE	712	0	712	0	
2 CS	1,312	0	1,312	1,312	
3 LGSS Managed	5,545	0	5,545	5,545	
4 Assets & Investments	50	0	50	50	
subtotal	7,619	0	7,619	6,907	
- Long Term Provisions					
5 LGSS Managed	3,613	0	3,613	3,613	
subtotal	3,613	0	3,613	3,613	
GRAND TOTAL	11,232	0	11,232	10,520	

Agenda Item No. 9

INTERNAL AUDIT PROGRESS REPORT FOR THE NOVEMBER 2016 AUDIT AND ACCOUNTS COMMITTEE

To: **Audit & Accounts Committee**

Date: **22nd November 2016**

From: **Duncan Wilkinson, LGSS Chief Internal Auditor**

1. PURPOSE

- 1.1 To report on the main areas of audit coverage for the period 1st September 2016 to 31st October 2016 and the key control issues arising.

2. BACKGROUND

- 2.1 The role of Internal Audit is to provide the Audit and Accounts Committee and Management independent assurance on the effectiveness of the controls in place to ensure that the Council's objectives are achieved. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the Council's ability to achieve these objectives.
- 2.3 The Committee is requested to consider and comment on the contents of this report.

<i>Officer contact:</i>	
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Email:	Duncan.Wilkinson@Milton-Keynes.gov.uk
Tel:	01908 252089

LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Quarterly update report

Q3

As at 31st October 2016

Section 1

1. FINALISED ASSIGNMENTS

- 1.1 Since the previous Progress Report to Audit & Accounts Committee in September 2016, 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 (CFA)	Quality Assurance in CFA	Good	Good	Minor
2.	Children, Families & Adults	Commitment Records in CFA	Good	Good	Minor
3.	Children, Families & Adults	Implementation of MOSAIC	Good	Moderate	Minor
4.	Children, Families & Adults	Residential Corporate Appointeeships	Moderate	Moderate	Minor
5.	Cross-Cutting	Scheme of Delegation	Moderate	Moderate	Minor
6.	Public Health	Public Health Grant	Review of grant completed and advice provided to the Director of Public Health.		
7.	Economy, Transport & Environment	Local Transport Capital Block Funding	Grant certification provided		
8.	Economy, Transport & Environment	Bus Service Operator's Grant	Grant certification provided		
9.	Downham Feoffees School	Schools Financial Risks	Moderate assurance.		
10.	Foxton School	Schools Financial Risks	Good assurance (up from Limited in January 2016)		
11.	Granta	Schools Financial	Moderate assurance (up from Limited		

	School	Risks	in January 2016).
12.	Kings Hedges School	Schools Financial Risks	Moderate assurance.
13.	Linton Infants School	Schools Financial Risks	Moderate assurance (up from Limited in January 2016)
14.	Morley Memorial School	Schools Financial Risks	Moderate assurance (up from Limited in January 2016)
15.	Thorndown School	Schools Financial Risks	Good assurance.
16.	Wheatfields School	Schools Financial Risks	Good assurance.

- 1.2 Summaries of the finalised reports with moderate or less assurance are provided in Section 6. This excludes individual schools audits, which are reported collectively once all reviews have been finalised.
- 1.3 The following audit assignments have reached draft/interim report stage, as set out below in table 2:

Table 2: Draft/Interim Reports

No.	Directorate	Assignment
1.	Children, Families & Adults	Victoria Road Residential Unit
2.	Children, Families & Adults	Hawthorns Residential Unit
3.	Children, Families & Adults	Community-Based Appointeeships
4.	Cross-Cutting	Financial Regulations
5.	Cross-Cutting	Code of Conduct & Behaviour Policies
6.	Somersham School	Schools Financial Risks
7.	St Helen's School	Schools Financial Risks
8.	Stukeley Meadows School	Schools Financial Risks
9.	St Johns School	Schools Financial Risks
10.	St Phillips School	Schools Financial Risks

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

Section 2

2. FRAUD AND CORRUPTION UPDATE

2.1 CURRENT INTERNAL AUDIT INVESTIGATIONS:

A summary of the current investigative caseload of the Internal Audit team is provided below at table 3. This includes investigations relating to suspected theft, fraud or misuse of funds, which are led by Internal Audit. As at the end of September 2016, 33 cases had been closed by Audit.

Table 3: Internal Audit Investigations Caseload

Case Category	Description of activity or risk example	Cases	Outcomes
Concessionary travel & Blue Badges fraud	Common frauds are: <ul style="list-style-type: none"> • Use of counterfeit/altered passes • Use of a pass reported lost or stolen 	1	Advice given to pass holder
		1	No fraud proven
		3	Ongoing investigation
Pensions Payments Project	Project to review cases where pensions had been suspended due to no contact from the pensioner.	27	Closed off & reported to service manager
		2	New contact details and de-suspended
		1	Referred back no trace
Theft or misappropriation	<ul style="list-style-type: none"> • Theft of property • Staff misappropriation 	1	Ongoing investigation
		1	Closed with recommendations
Totals		37	

2.2 CURRENT HR (HUMAN RESOURCES) CASELOAD:

A summary of the caseload of work currently being progressed by HR, primarily relating to disciplinary matters, is provided below at table 4. Internal Audit has also provided support to two of the ongoing disciplinary cases. The high number of cases relating to attendance management is due to a current push to improve attendance management in social care teams, which is being supported by HR.

Table 4: HR Caseload

Case Category	Description of activity or risk example	Cases	Outcomes
HR caseload	Disciplinary	10	Ongoing reviews
	Grievance	6	Ongoing reviews
	Performance	14	Ongoing reviews
	Whistleblowing	0	Ongoing reviews
	Attendance management	143	Ongoing reviews
Totals		173	

2.3 PENSIONS INVESTIGATION PROJECT:

The LGSS Internal Audit Counter Fraud Team has been working on a Pensions Project, reviewing recipients of pensions which had been suspended when the service had not received contact (usually following a return from either their bank or postal address).

This followed the Pensions Audit earlier in the year, after a referral was raised due to a suspended payment. The Pensions service was in the process of changing management systems and this project was initiated to close off or update all suspended cases, prior to data migration.

2.4 COUNTER FRAUD AWARENESS:

The LGSS Internal Audit Counter Fraud Team has been working with the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre to develop a campaign to raise awareness of the issue of fraud and how to report any concerns. This is being launched at Cambridgeshire throughout November, with a focus on the week commencing 14th November which is Fraud Awareness Week.

Awareness is being raised through posts on the Council's Daily Blog and in service/departmental newsletters. The Council's new Fraud Awareness posters, which encourage members of staff to blow the whistle on fraud, will be placed around key buildings, and a new page has now been launched on the Council's intranet which explains how to report fraud and provides advice on warning signs to look out for. The team is monitoring the response to this campaign and whether it leads to an increase in the number of referrals.

Section 3

3 IMPLEMENTATION OF MANAGEMENT ACTIONS

- 3.1 The outstanding management actions as at September 2016 are summarised in Table 5, which includes a comparison with the percentage implementation from the previous report (bracketed figures).

Table 5: Outstanding Management Actions

	Category 'Fundamental' recommendations		Category 'Significant' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	25	93% (100%)	39	64% (75%)	64	73% (83%)
Actions due within last 3 months, but not implemented	2	7% (0%)	17	28% (18%)	19	22% (13%)
Actions due over 3 months ago, but not implemented	0	0% (0%)	5	8% (7%)	5	5% (4%)
Totals	27		61		88	

- 3.2 A summary of the outstanding recommendations, and the current progress with implementing them, is provided in a table at Appendix B.

4. SUMMARIES OF COMPLETED AUDITS WITH MODERATE OR LESS ASSURANCE

A. CHILDREN, FAMILIES & ADULTS DIRECTORATE

A.1 Implementation of Mosaic

Internal Audit has conducted a review of the implementation of Mosaic, the new information management system that will replace Swift/AIS in Adult Social Care and Capita ONE in Children's Social Care. Good assurance has been given over compliance with controls in relation to the implementation of the Mosaic Project, and moderate assurance over the control environment. It should be noted that the project was at a relatively early stage of mobilisation at the time of the audit review and a number of key documents were still at draft stage.

As the maintenance and support contracts for the systems to be replaced by Mosaic will be coming to an end, time management is important for this project and it has been recommended that the project should ensure that these key project documents and plans are finalised shortly. It was agreed that the Project Initiation Document and Project Plan would be completed and signed off by the Project Board in October, and work to analyse and define project benefits in more depth will also be undertaken following configuration workshops in December. Comprehensive plans for both contract management and data migration will be put into place to ensure that correct, complete and up to date data is moved securely across to Mosaic, and that strong contract management arrangements are in place when the project moves into business as usual.

Staffing resource is a key risk for this project, and one which has been recognised by the Project Board. Plans are now in place to ensure continuous project management support for the project going forward, and to ensure thorough recording and document sharing by project officers, to mitigate the effects of any staff turnover. The Project Manager has identified staff likely to be affected by the ongoing Corporate Capacity Review or other staffing changes, and is developing a plan to mitigate the potential impact of this.

A.2 Corporate Appointeeships for Service Users in Residential Care

Appointeeships, where a person is authorised by the Department for Work and Pensions to claim, collect and use benefits on behalf of a client, may be provided to CCC service users when they do not have the mental or physical capacity to

manage their own finances, and have no friends or family able to take on this responsibility. Internal Audit has completed a review of the administration of Appointeeships for those in residential care. Appointeeships for service users in the community are administered separately and therefore the subject of a separate review.

Moderate assurance has been awarded over the management of residential corporate Appointeeships at CCC. Management of these Appointeeships has been transferred to the LGSS Client Funds team; this team generally has a strong system for monitoring clients' accounts, meaning that controls in this area have been strengthened. However, the timescales for completing the transfer of Appointeeships to this team have been lengthy, and no documented plans were in place for completing the transfer.

A number of recommendations have been agreed as a result of the audit, and several of these have already been implemented. The transfer of Appointeeships from CCC to the Client Funds team has now been completed, service users' funds are now being monitored, and the team are in the process of setting up CCC clients onto their main system. Policies and procedures surrounding Appointeeships have also now been updated and circulated to the Financial and Benefits Assessments team and to Care Managers at CCC, and these will be made available to staff on CamWeb and LGSS Direct.

It was noted during the course of the review that several clients had accrued debts on their Appointeeships accounts, and the Client Funds team have now started to look into these cases and make recommendations regarding the appropriate action to the debt team.

Internal Audit also recommended that the Council consider whether to charge for its Appointeeships service, as a number of other Local Authorities charge for this service. This will be reviewed by the end of March 2017, as a national announcement regarding charging for Deputyships, which may also cover Appointeeships, is expected in the next few months.

B. COUNCIL-WIDE (CROSS-CUTTING)

B.1 Scheme of Delegation

Internal Audit conducted a review of the Council's Scheme of Delegation, which describes the nature and extent of the authority delegated to officers to make decisions on behalf of Cambridgeshire County Council. Moderate assurance was assigned over the controls, and compliance with controls, in this area.

The Scheme of Delegation sets out the financial approval limits of different officers, including those for the approval of virements, property transactions, and writing off debt. It was identified that some of the limits in the current Scheme of Delegation were inconsistent with those quoted in the Financial Regulations, which had been updated more recently. This will therefore be updated by the end of November.

The review also identified that some current practice in relation to writing off debt has been inconsistent with the processes set out in the Scheme of Delegation, with debts up to £25,000 in CFA being written off by a Service Director. It has been agreed that in future these write-offs will be signed off by the Section 151 officer, in line with the Scheme of Delegation. It was also agreed that the authorisation section of the Accounts Receivable write-off form would be amended to improve its clarity.

5. OTHER AUDIT ACTIVITY

In addition to completing ongoing audit reviews, the Internal Audit team is conducting work in the following areas:

5.1 IMPLEMENTATION OF GALILEO

LGSS Internal Audit is currently working on the pre-implementation of the Galileo audit management, documentation and reporting system. This system is currently in use at the Milton Keynes office and an updated version will be rolled out across the LGSS offices. This will enable effective electronic and agile working, and improved automation of performance reporting and management information.

The system has been rolled out to the Milton Keynes office during October 2016 and the Internal Audit team at Cambridgeshire are currently in the process of trialling access to the new system.

5.2 RECRUITMENT

A recruitment is currently underway within the LGSS Internal Audit team, with interviews taking place in late October and November, and appointments to be finalised in November.

APPENDIX A

CCC INTERNAL AUDIT PLAN 2016/17

Audit Title <i>as per APACE</i>	Status (drop-down)	Directorate (drop-down)	Qtr Opened	Qtr Closed	Plan Days
TRANSFORMATION PROGRAMME					
Following the Money Strategy	Not Started	Cross-Cutting	Q3		20
Transformation Programme	Ongoing	Cross-Cutting	Q2		10
Corporate Capacity Review	Ongoing	Cross-Cutting	Q2		10
Procurement, Contracts & Purchasing (V4)	Ongoing	Cross-Cutting	Q1		20
QA Task & Resource Mapping	Closed	Cross-Cutting	Q2	Q2	5
Corporate Policy Statements	Not Started	Cross-Cutting	Q2		20
Partnerships Framework	Open	Cross-Cutting	Q2		5
Transformation Programme - Benefits Realisation	Open	Cross-Cutting	Q3		15
Business Planning Compliance	Open	Cross-Cutting	Q3		15
MAKING EVERY PENNY COUNT					
Client Contributions	Open	CFA	Q1		20
Traded Services - Cost Recovery	Open	Cross-Cutting	Q2		20
VAT - Compliance	Open	Cross-Cutting	Q1		20
Review of Procurement - Compliance	Not Started	Cross-Cutting	Q2		10
Overtime - Compliance	Closed	Cross-Cutting	Q1	Q2	20
Travel & Subsistence - Compliance	Open	Cross-Cutting	Q2		20
KEY FINANCIAL SYSTEMS					
Accounts Receivable	Not Started	Cross-Cutting	Q4		15
Purchase to Pay	Not Started	Cross-Cutting	Q4		20
Payroll	Not Started	Cross-Cutting	Q4		25
General Ledger	Not Started	Cross-Cutting	Q4		10
Bank Reconciliation	Not Started	Cross-Cutting	Q4		5
Treasury Management	Not Started	Cross-Cutting	Q4		5
Financial Systems IT General Controls	Not Started	Cross-Cutting	Q4		10
Risk Management	Not Started	Cross-Cutting	Q3		5
Procurement Governance	Not Started	Cross-Cutting	Q2		20
Debt Recovery	Open	Cross-Cutting	Q1		20
GRANT VERIFICATION					
Local Transport Capital Block Funding	Closed	ETE	Q2	Q2	5
Local Sustainable Transport Fund	Closed	ETE	Q1	Q2	5

Cycle City Phase II	Open	ETE	Q2		5
Public Health Grant	Closed	PH	Q2	Q2	5
Troubled Families Grant	Ongoing	CFA	Q1		20
Disabled Facilities Grant	Closed	CFA	Q2	Q2	2
Bus Services Operators Grant	Closed	ETE	Q2	Q2	5
Arts Grant	Closed	ETE	Q1	Q2	5
Local Growth Fund Grant	Closed	ETE	Q2	Q2	5
COMMISSIONING & CONTRACTS					
Schools Capital Programme	Open	CFA	Q2		20
Skanska Highways	Ongoing	ETE	Q1		20
Highways Contract Transformation	Ongoing	ETE	Q1		25
Waste PFI Contract	Ongoing	ETE	Q2		25
Street Lighting PFI	Open	ETE	Q1		15
Off-Contract Spend	Open	Cross-Cutting	Q2		15
Commissioning	Open	Cross-Cutting	Q3		15
Contract Management	Not Started	Cross-Cutting	Q3		15
RISK-BASED AUDITS					
Section 106	Open	ETE	Q1		20
Total Transport Pilot	Open	ETE	Q1		20
Replacement of AIS System	Closed	CFA	Q1	Q3	20
Commitment Records in CFA	Closed	CFA	Q1	Q3	20
Public Health Joint Intelligence Unit*	On Hold*	PH	Q1		15
Quality Assurance	Closed	CFA	Q1	Q3	15
Appointeeships	Open	CFA	Q1		20
Blue Badges	Closed	CST	Q1	Q1	0
Residential Care Homes Project	Ongoing	CFA	Q1		10
Property Portfolio Development Project	Ongoing	Cross-Cutting	Q1		10
Other Risk-Based Audits	Not Started	Cross-Cutting			8
POLICIES & PROCEDURES					
Financial Regulations	Open	Cross-Cutting	Q3		5
Contract Procedure Rules	Open	Cross-Cutting	Q2		5
Business Continuity Policy	Open	Cross-Cutting	Q3		5
Scheme of Delegation	Closed	Cross-Cutting	Q2	Q2	5
Information Governance Policies	Open	Cross-Cutting	Q3		10
Code of Conduct and Behaviour Policies	Open	Cross-Cutting	Q2		5
Risk Management Policy	Open	Cross-Cutting	Q3		5
Enforcement Policy	Open	Cross-Cutting	Q2		5
COMPLIANCE					
Direct Payments - Compliance	Not Started	CFA	Q4		15

Duplicate Payments - Compliance Follow-Up	Not Started	Cross-Cutting	Q3		5
Fees and Charges Compliance	Open	Cross-Cutting	Q2		10
Grants to Voluntary Organisations - Compliance	Open	Cross-Cutting	Q2		15
Agency Staff - Compliance	Open	Cross-Cutting	Q2		15
Unannounced Visits - Compliance	Open	Cross-Cutting	Q2		20
Key Performance Indicators - Compliance	Open	Cross-Cutting	Q1		15
Scheme of Delegation - Compliance	Closed	Cross-Cutting	Q2	Q3	15
Use of GPC - Compliance	Open	Cross-Cutting	Q2		15
Contract Extensions - Compliance	Open	Cross-Cutting	Q3		15
EU Procurement Regulations - Compliance	Open	Cross-Cutting	Q2		20
ICT AND INFORMATION GOVERNANCE					
Information Security	Open	CST	Q3		15
Records Management - ICO	Closed	CST	Q1	Q1	5
Agresso ERP	Not Started	Cross-Cutting	Q2		10
General Computer Controls	Not Started	Cross-Cutting	Q4		20
SCHOOLS					
Schools Financial Risks	Open	CFA	Q1		30
Safe Recruitment	Open	CFA	Q1		30
Schools (Other)	Not Started	CFA	N/A		60
Schools Advice & Training Sessions	Ongoing	CFA	N/A		5
ANTI-FRAUD AND CORRUPTION					
Preventative & Pro-Active Fraud Work	Ongoing	Cross-Cutting	N/A		10
National Fraud Initiative	Open	Cross-Cutting	Q2		30
St Luke's Working Party	Open	CFA	Q1		10
Fraud Investigations	Ongoing	Cross-Cutting	Q1		125
GOVERNANCE, RISK MANAGEMENT & OTHER					
Annual Governance Statement/CoCG	Closed	Cross-Cutting	Q1	Q1	15
Assurance Framework	Closed	Cross-Cutting	Q1	Q1	10
Risk Management	Ongoing	Cross-Cutting	N/A	N/A	75
FOI requests	Ongoing	Cross-Cutting	N/A	N/A	0
Advice & Guidance	Ongoing	Cross-Cutting	N/A	N/A	50
Follow-Ups of Agreed Actions	Ongoing	Cross-Cutting	N/A	N/A	40
Committee Reporting	Ongoing	Cross-Cutting	N/A	N/A	25
Management Reporting	Ongoing	Cross-Cutting	N/A	N/A	25
Audit Plan	Ongoing	Cross-Cutting	N/A	N/A	25
Operational Plan Total - 2016/17					1550

* The planned review of the Public Health Joint Intelligence Unit is currently on hold at the request of the Director of Public Health, as development of the Joint Intelligence Unit has been delayed by the ongoing Corporate Capacity Review.

APPENDIX B

Summary of Outstanding Recommendations

Audit	Risk level	Summary of Recommendation	Target Date	Status
Central Library Enterprise Centre Review	M	Options Appraisal, Market Research & Procurement: Development of guidance relating to options appraisals and market research as part of a review of project management methodology.	1/2/16	Development of new project management guidance has been delayed due to the Corporate Capacity Review which incorporates a complete review of current project management resource and structures. Implementation of these actions is being taken forward as part of this review and work on the new Project Management and Gateway Review processes is now underway within the new Transformation Team. A follow-up report is scheduled to be brought to Audit & Accounts Committee in January 2017.
	M	Engagement with Members: Updated guidance to be included in the review of project management methodology around member oversight and engagement with the development of major projects; providing sufficient information on proposed partner organisations; and keeping local Members informed about matters affecting their divisions.	1/2/16	
	M	Public Consultation: Updated guidance to be included in the review of project management methodology around planning for public consultation and gaining appropriate input from Members.	1/2/16	
	M	Business Cases: Updated guidance to be included in the review of project management methodology around producing robust individual business cases for all projects.	1/2/16	
Direct Payments	M	Direct Payment Monitoring: The requirement to produce monitoring information will be clarified for service users as part of the revision of the Direct Payments Agreement and the DPMOs team will introduce different levels of monitoring for Direct	30/9/16	The service has revised the Direct Payments Agreement, but upon review by Internal Audit it was felt that these did not fully address all aspects of the audit recommendations. Feedback has been

		Payments, based on an assessment of service user risk.		provided and we are waiting to see the updated documents.
	M	Line Management Arrangements for DPMOs: The line management arrangements for the DPMO's will be refreshed, so that they report directly in to the Practitioner Consultant for Direct Payments and are given greater authority to challenge.	30/9/16	This has been delayed due to the current vacancy of the Practitioner Consultant post, which is being recruited to. The post is currently being advertised with a closing date at the end of November 2016; it is therefore anticipated that the service will not be in a position to fully implement this action until the end of March 2017. Due date: 31/3/2017.
	M	Direct Payments Monitoring Officers Team (DPMO) Procedures: A full set of procedures will be developed and agreed for the Direct Payments Monitoring Officers.	30/9/16	The service have reported that these actions have been completed, however due to staff absence they have not yet been able to provide evidence of completion to Internal Audit.
	M	Support Planning: As part of the new procedures, DPMOs will review Support Plans when new payments are set up and an escalation procedure for poor support planning will be set up.	30/9/16	
Payment Methods	H	Understanding the costs of transactions: The cost to the Council of processing transactions via cash; cheque; invoice; credit/debit card; and online payment will be calculated.	31/7/16	The implementation of these actions has been delayed due to the impact of the Corporate Capacity Review. This has resulted in responsibility for implementing these actions shifting between teams, due to staff turnover and staffing structure changes. The service is currently working to confirm where responsibility for these actions now sits and to provide a revised implementation date.
	H	Raise awareness of the cost of transactions: The costs to the Council of processing transactions via the various types of payment methods will be made available on CamWeb and publicised to staff.	30/9/16	
	M	Digital Payment by default: A Business Case will be taken to SMT outlining the	30/9/16	

		case for the Council to take the approach that digital payment should be the default option.		
	M	Payment processing costs: Once transaction costs are known, consideration will be given to a review of which traded services are charged payment processing costs.	30/9/16	
Domiciliary Care	H	Centralised System for Monitoring Missed Calls Regular centralised monitoring of missed calls on AFM should be introduced, to identify any patterns. This should include cross-referencing to the SCR.	30/9/16	Internal Audit is awaiting an update on the progress with implementing this action.
	M	Use of the Single Central Record The SCR should be used to log complaints from all service users, including self-funders. An SCR category for missed/short/late calls should be introduced.	30/9/16	Guidance is in the process of being updated but due to staff sickness is not yet complete. Meeting to discuss SCR due to take place in November. Due Date: 30/11/2016
Vulnerable Clients' Monies Management (Deputyships)	M	Written Procedures: A complete set of written procedures will be drawn up for Deputyships Officers.	1/7/16	Senior Management are currently in the process of developing an action plan which will ensure that all outstanding actions relating to this review are addressed, and Internal Audit will complete a follow-up audit in the 2017/18 financial year to verify that all the risks have been addressed. Due Date: 31/3/2017
	M	Receipts, financial records, fraud risk: A procedure will be developed by the team for the review of receipts and financial records.	1/7/16	
	M	Tax Returns & Capital Gains Tax: Guidance will be created for Deputyships Officers on the instances when they need to consider whether a service user may owe tax, and a review will be undertaken of all clients to identify those who need to submit annual tax returns.	1/7/16	
	M	Inventories and House Clearances: An inventories and house clearance procedure will be developed and the team will undertake a competitive	1/7/16/	

		procurement exercise for the contract for house clearances.		
	M	Investment of Assets: /A review of client savings accounts will be undertaken to establish the current savings values for clients and the level at which investment in high-interest accounts will be considered. The team will establish options for /investment of high-value client assets and develop a procedure for financial planning.	1/7/16	
	M	Liaison and Interface with Social Care: Review and update the <i>Court of Protection Deputyship: General Principles and Operating Procedures</i> guide in conjunction with representatives from Social Care and re-issue.	1/7/16	
	M	Updating Guidance Documents: A comprehensive review and update of the guidance relating to Deputyships; Appointeeships; and Handling Clients' Finances.	1/7/16	
	M	Distribution of Guidance and Training: Guidance documents will be updated as per the above and distributed to social care staff, promoted and shared more widely with relevant partners. The current Mental Capacity Act Training will be updated.	1/7/16	

Agenda Item No. 10

TITLE REVIEW OF ELY ARCHIVES PROJECT

To: Audit & Accounts Committee

Date: 22nd November 2016

From: Duncan Wilkinson, LGSS Chief Internal Auditor

1. PURPOSE

1.1 To report on the background and proposed audit coverage of the review of Ely Archives.

2. BACKGROUND

2.1 At their meeting on the 21st October 2016, the Assets & Investment Committee resolved to make a referral to the Audit & Accounts Committee in relation to the project to develop a new Archives Centre on the site of the former Strikes Bowling Alley in Ely. The Committee requested scrutiny of the officer processes throughout the project, and identification of internal lessons learned.

2.2 Internal Audit has produced a brief summary of the background to the project and a proposed Terms of Reference for an audit review (Appendix 1).

2.3 The Committee is requested to consider the contents of this report and approve the addition of the review to the Audit Plan.

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Ely Archives Project

1. BACKGROUND TO THE PROJECT

- 1.1 After an inspection in 2012, The National Archives ruled that the Shire Hall basement accommodation currently occupied by Cambridgeshire Archives was unsuitable due to widespread mould; high temperature and humidity fluctuations; and a lack of air circulation, which increased the risk that documents will deteriorate.
- 1.2 If the Council fails in its statutory duty to care for public records, the National Archives could remove these records from the County Council's custody and charge the Council for the costs of removal, conservation and storage, while the Council would retain a statutory duty to provide appropriate accommodation for the rest of the records in its care. The National Archives set a deadline for the authority to identify new accommodation by 2015.
- 1.3 In March 2014 the Council undertook an options appraisal to identify potential suitable accommodation for the Council's Archives Service, and identified a preferred property, Strikes Bowling Alley, located in Ely. An original scheme (£12m in partnership with the University) was revised and a cost estimate for building the Archive Centre on this site was £2.5m, with a contingency of £1.5m. The allowance of £12m for the project in the Council's Business Plan was therefore reduced to £4m. Contracts were exchanged to acquire the Strikes building at the end of February 2015, subject to Change of Use planning, which was approved in December 2015.
- 1.4 A report to the General Purposes Committee in October 2015 identified that costs for the project, as scoped to include the Ely Registration office and office accommodation, had increased to £6.2m. The Committee resolved to reduce the scope of the project to focus on a conversion of the building for the use of Archives only, bringing the costs down to £4.2m, broadly in line with the budget as previously set.

2. REQUEST FROM ASSETS & INVESTMENT COMMITTEE

- 2.1 At the meeting of the Assets & Investment Committee on the 21st October 2016, a

- 2.2 report on the Ely Archive Centre was presented, which identified that the cost of the project had increased by £860k, to £5.6m.
- 2.3 Some concern was expressed by Members about this and the prior increases in the expected total cost of the project, and the Assets & Investment Committee therefore requested that the project be referred to the Audit & Accounts Committee, to scrutinise officer processes and identify any internal lessons learned from the project.

3. PROPOSED AUDIT REVIEW

- 3.1 A Terms of Reference for the proposed Internal Audit review is attached, at Appendix 1.
- 3.2 The intention will be to report the outcomes of the review to the Audit & Accounts Committee meeting on the 20th January 2017, with the report also available for the meeting of the Assets and Investment Committee on the 27th January. However this is dependent on the issues / information being straight forward to gather and examine.
- 3.3 An initial time budget of 15 days for the review is proposed, with this time to be absorbed by LGSS Audit.
- 3.4 It is requested that the Audit & Accounts Committee approve this addition to the Audit Plan.

APPENDIX 1

Proposed Terms of Reference for the Review of Ely Archives Project

Type of Review:	Assurance/Investigation
Review Requested by:	Audit & Accounts Committee
Date:	22 nd November 2016
Whistleblowing confidentiality required?	No
Auditors:	to be determined
Audit Objectives:	<p>To review the Ely Archive Project in order to identify any internal lessons learned from the project, through:</p> <ol style="list-style-type: none"> 1. Documenting the original scheme, brief and budget, and 2. Documenting the timeline including key decisions / revisions regarding scope, cost and budget, and 3. Identifying the causes of cost variation, and 4. Evaluating the project's governance arrangements.
Key Stakeholders:	<p>CCC Audit and Accounts (A&A) Committee CCC Assets and Investment (A&I) Committee CCC Highways and Community Infrastructure (H&CI) Committee SMT</p>
Background:	<p>In October 2015, the General Purposes Committee approved the acquisition of the former Strikes Bowling Alley in Ely to accommodate an Archives Centre, for a revised budget of £4.2m. In October 2016, further revisions to cost estimates, taken to the Highways & Infrastructure (H&I) and the Assets & Investment (A&I) Committees, indicated that the project as specified would be £860k over this budget. Original cost estimates for the Archive Centre on this site had been £2.5m.</p>

A&I Committee have referred the matter to the Audit & Accounts Committee to scrutinise the officer processes that led to the increases in cost estimates, and to identify internal lessons learned from the project.

Scope of work:

- Original scope / project documentation;
- Revised project variation.

An estimated provision of 15 days.

Specific exclusions to scope: None

Methodology:

1. Document the original scheme, brief and budget agreed, including the original procurement via single supplier route;
2. Document the Project Governance arrangements;
3. Review scheme variations:
 - (a) documenting the timeline of key decisions
 - (b) evaluating change control processes for key scheme variations
 - (c) documenting causes for cost variations

Planned Timings for work and reporting:

Audit work to commence week commencing 23rd November

Target deadlines:

- Fieldwork complete 23rd December
- Report agreed 9th January
- Audit & Accounts Committee consideration 20th January
- (Available for Assets & Investment Committee 27th January)

Interim report / updates to be provided:

To: Chief Executive, Executive Director of Economy, Transport and Environment, Chair of Audit & Accounts Committee and Cllr Hickford

When:

Promptly if significant issues requiring intervention identified; otherwise at the draft and final report stages.

Proposed outcome / report circulation: (draft and final if different)**Draft written report to:**

- Executive Director - Economy Transport & Environment
- Chief Finance Officer
- Cllr Hickford
- Chair of Audit & Accounts Committee

Final report to:

- SMT
- Audit & Accounts Committee

Work / Costs to Recharged to:

- Work to be absorbed within the time budget for investigations.

SAFER RECRUITMENT UPDATE

To: **Audit and Accounts Committee**
Date: **22nd November 2016**
From: **Keith Grimwade, Service Director for Learning**
Electoral Division(s): **All**
Purpose: The purpose of this report is to:

- Provide an update to previous reports to Committee in relation to Safer Recruitment in Schools.
- Report on the most recent audit of Safer Recruitment undertaken by Internal Audit.
- Describe actions taken.

Key Issues: n/a

Recommendation: The Committee is asked to note and to comment on the report.

<i>Officer contact:</i>	
Name:	Keith Grimwade
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1.0 BACKGROUND

- 1.1 The overall assurance level for 2014/15 was 'Moderate'.
- 1.2 Much work has been done with schools since then, which has been reported to the Committee previously including the safeguarding review of schools carried out by the Education Advisers, checklists for safer recruitment process sent to all schools and an increase in training available.

2.0 CURRENT POSITION

- 2.1 LGSS Audit and Risk Management Service have reported on their findings from the 2015/16 safer recruitment carried out earlier this year. "Limited" assurance was given; of the 15 schools audited, all maintained, five received moderate assurance, nine limited assurance and one received no assurance.
- 2.2 Schools chosen for the audit were schools causing concern and/or schools who had previously received a poor assurance rating, so the results are not comparable with previous years.
- 2.3 When reviewing safer recruitment practice at a school the focus is on several key controls which a school must always comply with in order to receive a good assurance rating. These are considered to be non-negotiable if it is found that a member of staff has started work at a school without:
- either*
- A satisfactory Disclosure and Barring Service Check (DBS) in place;

or

 - A Barred List check and documented and dated approved Risk Assessment in place, while DBS is pending;

or

 - A portable DBS check with a Barred List check.
- 2.4 The number of limited assurances issued during this round of audits is primarily due to schools failing to ensure staff do not start work at a school unless these checks/assessments are in place. In particular, if a DBS is late schools are often failing to ensure that the Barred List check and Risk Assessment are both completed in full.
- 2.5 Other issues noted were poor induction processes and failure to query gaps in employment or to ensure appropriate references had been received before employees commenced.

3.0 ACTION TAKEN

- 3.1 The audited schools are required to submit a management response. Schools that received limited assurance or lower will be monitored by the Education Advisers.
- 3.2 Internal Audit and the Learning Directorate have jointly produced a safer recruitment audit tool for schools to use so that practice can be monitored and so that governors are better equipped to hold the school to account over the safer recruitment aspect of safeguarding (see Appendix 1). The Local Authority (LA) safeguarding review looks closely at governance as well as day to day practice (see Appendix 2).
- 3.3 The LA safeguarding review has been updated to ensure it meets the Ofsted framework expectations, experience gained from OFSTED inspection feedback and new guidance in Keeping Children Safe in Education. Safeguarding reviews carried out by the Education Advisers now include scrutiny of a sample of employment files.
- 3.4 Schools have been given additional guidance with regards to delays in DBS checks or clarification around portable DBS checks.
- 3.5 The new requirements of Keeping Children Safe in Education were presented at the autumn term Governor Briefings to 250+ school governors.
- 3.6 All schools are being written to with the outcome of the audit, and actions that all schools should consider / take. The Local authority will make it clear that we need to be ensured of improved safeguarding practice. If a school fails to improve, the LA will issue a Warning Notice; if its response is inadequate the LA will use its power of intervention, e.g. to replace the governing body with an Interim Executive Board.
- 3.7 The Children's Safeguarding Board will be advised of the results of all audits and actions being taken.

Source Documents	Location
Keeping Children Safe in Education, 2016	https://www.gov.uk/government/publications/keeping-children-safe-in-education--2

Safer Recruitment Schools Self-Assessment Toolkit

1. Why Conduct a Self-Assessment?

The County Council and Schools have a shared commitment to keep children and young people safe. This is underpinned by statutory obligations; the Department of Education guidance *Keeping Children Safe in Education* (September 2016) aims to ensure that appropriate systems are in place for recruitment, selection and pre-employment vetting of staff, thereby reducing (but not eliminating) the risk of appointing unsuitable people to positions of trust.

Governing Bodies need to ensure that staff who are responsible for recruitment within the school adhere to this guidance in order to safeguard pupils and staff in the school. Conducting a Safer Recruitment Self-Assessment using this toolkit will provide assurance that this is being done, and will help to identify any issues or areas for improvement in your current processes. Following your self-assessment, the toolkit can be used as an action plan to address any issues raised.

This self-assessment is focused on the recruitment of staff; for guidance regarding checks on volunteers, contractors, visitors etc. please see *Keeping Children Safe in Education (Part 3)*.

2. How to Conduct a Self-Assessment

We recommend that for your Safer Recruitment Self-Assessment, you select a sample of five recent appointments (it may be appropriate to reduce this sample size for smaller schools). This should include a mixture of both teaching and non-teaching staff. The toolkit includes checks against 24 key controls which all schools should have in place; however, not all of these controls will be relevant for every staff sample (for instance, checks on agency staff).

Completing the Self-Assessment will involve reviewing the Single Central Record; relevant policies and procedures; and the employment files for the five sampled staff.

3. Who to Contact for Guidance

If you would like further guidance and support, please contact your Education Advisor.

Alternatively, contact Internal Audit: internal.audit@cambridgeshire.gov.uk

Safer Recruitment Self-Assessment Toolkit

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
A	GOVERNANCE AND POLICIES				
1	Has the Full Governing Body approved a Recruitment and Selection policy which sets out all the recruitment checks that must be completed prior to staff being appointed, and is compliant with <i>Keeping Children Safe in Education</i> ?	A policy which includes these criteria has been approved by the Personnel/Resources Committee and/or the Full Governing Body, and details of this have been minuted.			
2	Has the Full Governing Body adopted a Whistleblowing Policy?	The Whistleblowing Policy has been approved by the Full Governing Body and details of this have been minuted.			
3	As a minimum, have the Head Teacher and a Governor completed Safer Recruitment training?	<p>The Head Teacher and a Governor have completed Safer Recruitment training and copies of the certificates are held on file in the school.</p> <p>We would recommend that as a general principle, face-to-face training is preferable to online.</p>			
B	APPLICATION FORMS				
4	Are application forms checked to ensure that:	The school’s procedures should ensure that these key areas are checked.			

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
	<ul style="list-style-type: none"> • A full history of employment and training is provided? • The section on criminal convictions has been completed by the applicant? • The applicant has confirmed they have not been subject to a CP investigation? • The application form has been physically signed by the employee? <p>Deliberate non-completion may be in order to conceal information from the interview panel.</p>	For the sample of 5 new employees, if there were any queries on these areas these should have been queried and resolved before the employee took up their post.			
C	RESPONSIBILITIES FOR SAFEGUARDING				
5	Are the individual's duties / responsibilities for safeguarding pupils included in their job description and person specification?	For the sample of 5 new employees, the job description/person specification clearly states the individual's responsibilities in relation to safeguarding.			
D	INTERVIEWS				
6	Is evidence provided confirming who was on the interview panel, and has at least one of the interview panel	For the sample of 5 new employees, the interview evidence confirms who was on the interview panel. At least			

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
	been trained in Safer Recruitment, as per the School Staffing Regulations?	one of the panel members had attended Safer Recruitment Training.			
7	<p>Is there at least one question which challenges the applicant's knowledge and awareness of safeguarding?</p> <p>Do the remaining questions:</p> <ul style="list-style-type: none"> • Give applicants an opportunity to declare any convictions as part of the interview process? • Pursue any gaps in employment and training history? 	For the sample of 5 new employees, there was evidence that a question on knowledge of safeguarding was asked at interview, and there were prompts on the pro-forma to pursue gaps in employment/training history and to declare any convictions.			
E	DBS DISCLOSURE & BARRED LIST				
8	<p>For new employees, has enhanced DBS clearance including Barred List information been obtained by the school?</p> <p>Has the LA policy on portability been complied with?</p>	<p>For the sample of 5 new employees, confirmation of enhanced DBS clearance is held on file.</p> <p>If a portable DBS was used, Barred List clearance was also separately obtained prior to their first day of employment.</p>			
9	If the employee started work before DBS clearance had been confirmed, was Barred List clearance obtained and a formal documented Risk	For the sample of 5 new employees, Children's Barred List clearance had been obtained prior to their first day of employment.			

Commented [KM1]: HR need to clarify on this and we need to find out the EPM perspective as well.

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
	Assessment completed before duties commenced which is: <ul style="list-style-type: none"> Signed by the Head Teacher Endorsed by the Chair of Governors. 	A signed Risk Assessment which records the Head Teacher's decision making process and proposed actions where DBS clearance is delayed, and the Chair of Governors endorsement of this, is on file.			
10	<p>If DBS or Barred List checks identified an offence, i.e. a positive trace, was a risk assessment conducted and a formal decision made and recorded based on the relevance of the offence to the post they applied for?</p> <p>Was advice sought from the school's HR adviser where appropriate?</p>	<p>For the sample of 5 new employees, if an offence was identified as part of the clearance process OR declared in the recruitment process appropriate advice was taken and recorded</p> <p>A decision to accept the person was made by the Head Teacher/and or Chair of Governors.</p>			
11	Have employees completed and returned a Disqualification by Association declaration form? (Early Years / Reception and out of school care up to age 8 only).	For the sample of 5 new employees, completed forms were on file for all relevant staff.			
F	REFERENCES				
12	Are two written references on file for all new employees in accordance with LA policy?	For the sample of 5 new employees, two written references had been sought and a minimum of one			

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
	<p>As a minimum:</p> <ul style="list-style-type: none"> • One is received before employment is confirmed. • One is from the previous employer, where a previous employer exists. • Where previous employment was in a school this should be from the Head Teacher. 	<p>obtained which met the criteria of being from the previous employer - and where this was a school, it was from the Head Teacher.</p> <p>As per Keeping Children Safe in Education, employers should not rely on open references (e.g. 'to whom it may concern').</p>			
13	<p>The information on the references corresponded to the information on the application form, i.e.:</p> <ul style="list-style-type: none"> • they were from the same referees noted on the application form • dates of employment were the same • employer details were the same. <p>If there were any discrepancies on references, these were pursued at the interviews.</p>	<p>For the sample of 5 new employees, if there were queries on references they were pursued at interview or before the person took up their post.</p>			

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
G	QUALIFICATION CHECKS				
14	<p>Have copies been taken of the employee's relevant and original qualification certificates?</p> <p>Are these annotated (signed and dated) to confirm original documents were seen?</p>	For the sample of 5 new employees, annotated copies of the qualifications are held on file.			
15	<p>Checks have been completed on the DFE's Teacher Services Site to confirm that:</p> <ul style="list-style-type: none"> • Staff carrying out teaching work (including cover supervisors, teaching assistants, sports coaches etc.) are not subject to a prohibition order. • Teachers are qualified to teach. • Teachers have completed their induction period (for those who qualified post 7/5/1999). <p>An induction certificate should be held on file for new employees who qualified after 1999.</p>	For the sample of 5 new employees, evidence of Teacher Status Check being completed on the DFE's Teacher Services Site for all teaching staff.			
H	AGENCY STAFF				

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
16	<p>Although the school does not recruit and employ agency staff has confirmation been sought from the agency that its staff have been fully vetted?</p> <ul style="list-style-type: none"> • DBS enhanced barred list clearance? • References? • Medical clearance? <p>Photographic images should also be supplied in order to confirm identity.</p> <p>Are regular supply staff included on the Single Central Record?</p>	<p>For the sample of 5 new employees, for any relevant employee, the school received confirmation from the agencies for all these key areas.</p> <p>Any regular supply staff are included on the Single Central Record.</p>			
17	<p>Has the employment status of any individuals changed from agency to employee?</p> <p>If so have all of these checks been undertaken in full by the school?</p>	<p>For the sample of 5 new employees, for any staff who appointed who had previously worked on an agency basis, full checks were completed when appointed at the school.</p>			
I	IDENTITY CHECKS				
18	<p>Have identity checks been completed and is appropriate evidence held on</p>	<p>For the sample of 5 new employees, evidence of identity was retained on file for all new employees.</p>			

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
	<p>file? Identification checking guidelines can be found on the GOV.UK website.</p> <p>Is evidence annotated (signed and dated) to confirm original documents were seen?</p>				
J	RIGHT TO WORK IN THE UK				
19	<p>Has the person's right to work in the UK been verified? (see: https://www.gov.uk/check-job-applicant-right-to-work)</p> <p>Is evidence annotated to confirm original documents were seen?</p>	<p>For the sample of 5 new employees, there is evidence that the appropriate checks were completed to confirm they were eligible to work in the UK.</p>			
20	<p>Where an individual does not have an automatic right to work in the UK:</p> <ul style="list-style-type: none"> Has the school registered as a Sponsor with the UK Visas and Immigration (UKVI)? Has a Certificate of Sponsorship been issued by the school? Has the individual provided appropriate documentation to 	<p>For the sample of 5 new employees, for any relevant staff, evidence was on file from UK Visas and Immigration (UKVI) to confirm that the school has sponsor status if they are sponsoring workers from outside of the European Economic Area.</p> <p>Certificate held on file.</p>			

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
	confirm their right to work in the UK and are copies of this held on file? (for some this may be limited periods, or limited jobs or hours)	Evidence of right to work in the UK is held on file.			
K	MEDICAL CLEARANCE				
21	Has the school checked that employees have received medical clearance before they take up their post?	For the sample of 5 new employees, medical clearance is held on file.			
L	SINGLE CENTRAL RECORD				
22	<p>Is a central log of pre-employment checks including DBS clearance maintained?</p> <p>The Single Central Record should cover all staff, and record as a minimum whether the following checks have been carried out/certificates obtained and the date on which this was done:</p> <ul style="list-style-type: none"> • An identity check; • A barred list check; • An enhanced DBS check; 	<p>For all staff, the Single Central Record records dates of:</p> <ul style="list-style-type: none"> • An identity check; • A barred list check; • An enhanced DBS check; • For staff carrying out teaching work, a prohibition from teaching check; • Further checks on people living or working outside the UK (check with your HR Adviser if they have lived or worked outside the UK in the past 5 years); • A check of professional qualifications; and 			

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
	<ul style="list-style-type: none"> For staff carrying out teaching work, a prohibition from teaching check; Further checks on people living or working outside the UK; A check of professional qualifications; and A check to establish the person's right to work in the UK. In relevant settings only the Childcare Disqualification requirements check Checks on regular supply staff <p>The Head Teacher / a Governor should periodically (ideally termly) review the SCR for completeness and accuracy.</p>	<ul style="list-style-type: none"> A check to establish the person's right to work in the UK. In relevant settings only the Childcare Disqualification requirements check <p>The date on which the relevant check was carried out should also be recorded in the Single Central Record, including initials of the person who carried out the check.</p> <p>A management check on the SCR is undertaken and evidenced periodically (ideally termly) by the Head Teacher / Governor, and this is reported to the Governing Body, along with the findings of the review.</p> <p>N.B. This is the minimum required in a Single Central Record for Safer Recruitment purposes; best practice would be to have more information in your SCR.</p>			
M	INDUCTION PROCESS				

	Control or Procedure	Expected evidence of Good Practice / Key Controls (shaded)	Findings	Any Actions Required	Owner & Timescale
23	<p>Is there a formal, documented induction process which includes priority areas such as:</p> <ul style="list-style-type: none"> • Safeguarding Policy • Safeguarding Training • Whistleblowing Policy • Health and Safety • Acceptable Use Policy <p>And which is fully completed and signed off by the employer and the employee?</p>	<p>Documented induction process checklist should include Safeguarding, Whistleblowing, Health and Safety, Acceptable Use.</p> <p>For the sample of 5 new employees, the induction documentation was fully completed and signed off by both the employer and the employee.</p>			
24	<p>Have all staff (teaching and non-teaching) read Part 1 of Keeping Children Safe In Education (2016) document and the Guidance for Safer Working Practice?</p>	<p>A signed checklist is on file to confirm that all staff have read this document.</p>			

EDUCATION ADVISER

SINGLE CENTRAL RECORD AND SAFEGUARDING REVIEW

School

Definition of safeguarding

In relation to children and young people, safeguarding and promoting their welfare is defined in *Working Together to Safeguard Children* as

- protecting children from maltreatment
- preventing impairment of children's health or development
- ensuring that children are growing up in circumstances consistent with the provision of safe and effective care, and
- taking action to enable all children to have the best outcomes.

Evidence looked for when inspecting safeguarding arrangements includes

- the extent to which leaders, governors and managers create a positive culture and ethos where safeguarding is an important part of everyday life in the setting, backed up by training at every level
- the application and effectiveness of safeguarding policies and safer recruitment and vetting processes
- the quality of safeguarding practice, including evidence that staff are aware of the signs that children or learners may be at risk of harm either within the setting or in the family or wider community outside the setting, and
- the timeliness of response to any safeguarding concerns that are raised.

Evidence of a policy or practice will be needed to provide the assurance of a 'yes' judgement during this review.

If the judgement is 'no', the reviewer recommends that the school takes appropriate action to ensure that practice is reviewed and/or that policy is reviewed.

Appendix 2 Schools Intervention Service

Safeguarding and Safer Employment Policies

Relevant policies adopted, up to date, regularly reviewed and linked and accessible? The following are listed in the LA Safer Employment Policy.

Safer Employment Policy	Yes/No
Safeguarding and Child Protection Policy up to date	Yes/No
Safeguarding and Child Protection policy on website	Yes/No
School Equality Policy	Yes/No
School recruitment and selection Policy	Yes/No
Staff Code of Conduct (Safer Working Practice or EPM code of conduct)	Yes/No
Staff discipline and grievance policies adopted	Yes/No
Whistleblowing policy accessible to all staff	Yes/No
Acceptable use of ICT	Yes/No
Lone Working Policy	Yes/No
Intimate care Policy	Yes/No
First Aid Policy	Yes/No
Physical Handling and restraint Policy	Yes/No
Behaviour Management Policy	Yes/No
Anti-Bullying Policy	Yes/No
Supporting pupils with medical conditions	Yes/No

Essential documents on file

Keeping Children Safe in Education	Yes/No
Keeping Children Safe Part 1 issued to all staff and centrally recorded	Yes/No
Working Together to Safeguard Children	Yes/No
Safer Working Practice or similar code issued to staff and recorded	Yes/No
Appropriate risk assessments in place	Yes/No
Cambridgeshire Inspection of LA Children's Services 2104	Yes/No

Appendix 2 Schools Intervention Service

Safeguarding including induction for all new staff and volunteers

All staff have read part 1 of Keeping Children Safe 2016	Yes/No
CP Training every three years for all staff (minimum)	Yes/No
All staff and leaders appropriately updated at least annually	Yes/No
All staff are aware of their safeguarding role	Yes/No
All staff have an awareness of safeguarding issues	Yes/No
All staff are aware of signs of abuse and neglect	Yes/No
Staff can identify children who may need help or protection	Yes/No
Induction for all new staff	Yes/No
CP training for all new staff as part of induction	Yes/No
Central record of completion of induction training	Yes/No
Staff are provided with Part 1 KCSIE, the CP policy, the Behaviour Policy and Code of Conduct during their induction	Yes/No
Volunteers and third party providers are carefully selected and vetted	Yes/No
Appropriate CP training and induction for volunteers	Yes/No
Appropriate induction and CP training for agency and self-employed staff	Yes/No
Staff are aware of responsibilities with respect to:	
FGM	Yes/No
CSE	Yes/No
Missing children	Yes/No
Peer on Peer abuse	Yes/No
Sexting	Yes/No

Named Designated Persons and record of initial and refresher training

DP 1	Date of most recent training	
DP 2	Date of most recent training	
DP 3	Date of most recent training	
DP 4	Date of most recent training	
Designated staff undergo CP training every two years		Yes/No

Appendix 2 Schools Intervention Service

Their knowledge and skills are refreshed at least annually Yes/No

Does the Designated Safeguarding Lead/or do all Designated Persons have the responsibility outlined in their JD

Appropriate job description? Yes/No

This could include a single line in their job description and reference to appendix B in Keeping Children Safe.

Does the designated safeguarding lead have “sufficient time, funding, training, resources and support to provide advice and support to other staff on child welfare and child protection matters, to take part in strategy discussions and inter-agency meetings, to contribute to the assessment of children and to take steps to escalate when appropriate? Yes/No

The school ensures that there is a designated lead available when the school is open Yes/No

Additional training undertaken by staff and governors (including LSCB, Education Child Protection and CPIN meetings)

Brief details

The school is aware of the impact of training Yes/No

The school records information relevant to safeguarding concerns clearly, accurately and securely and shares it both internally and with other agencies

Record keeping is clear, accurate and complete Yes/No

Records secure Yes/No

Shared appropriately with agencies Yes/No

Appropriate actions are taken swiftly by the school Yes/No

Staff are confident in raising concerns Yes/No

CP records are transferred securely and a receipt obtained from the receiving school Yes/No

Appendix 2 Schools Intervention Service

Has the school had a recent CP audit? Yes/No

Has the school recently audited their CP records? Yes/No

Staff are confident to challenge leaders over safeguarding concerns and know how to use the whistleblowing policy Yes/No

School is fully aware of allegations procedure including awareness of part 4 of Keeping Children Safe in Education

Have staff received any awareness training on allegations Yes/No

Procedures in place to manage allegations Yes/No

Allegations policy (e.g. EPM allegations policy) Yes/No

Allegations procedure included in the Safeguarding and CP Policy Yes/No

Governors aware of safeguarding responsibilities including having a named governor for safeguarding

Named Governor Yes/No

The Headteacher reports at least annually to the governing body on safer recruitment? Yes/No

Annual Child Protection Monitoring report to governors completed and shared with the governing body Yes/No

Annual Child Protection Monitoring Report returned to ECPS Yes/No

Safer Recruitment Audit tool used Yes/No

Standing item on governing body agenda Yes/No

SCR is monitored once a term by governors Yes/No

Governors are satisfied that the school's statutory responsibility for safeguarding is being consistently and effectively fulfilled Yes/No

Appendix 2 Schools Intervention Service

Prevent training and awareness

Prevent lead	Yes/No	Date trained
Staff awareness training	Yes/No	Date trained
Governors fully aware of Prevent	Yes/No	
The school has due regard to the need to prevent people from being drawn into terrorism in accordance with the Counter-Terrorism and Security Act 2015		
		Yes/No

Safer recruitment

Safer recruitment training for staff/governors on appointment panel (online NSPCC, EPM webinar levels 1 2 or 3 or face to face)		
		Yes/No
Number and date trained	Staff	Governors

Single Central Record includes all adults including volunteers who work in the school and is fully compliant with Keeping Children Safe in Education

All of the following are fully completed on the SCR

Identity checks	Yes/No
Qualification checks	Yes/No
Checks on right to work in the UK	Yes/No
A prohibition from teaching check	Yes/No
Barred list check	Yes/No
Academy Section 128 leaders/manager barred list check	Yes/No
Enhanced DBS disclosure	Yes/No
Disqualification by association	Yes/No
Overseas records e.g. Certificate of Good conduct	Yes/No
Assurances are sought that all staff not directly employed by the school have been checked by their employer	Yes/No

Appendix 2 Schools Intervention Service

All adults who are paid to work in the school appropriately recorded Yes/No

All agency staff (LA, Health, music, sports coaches etc...) who work in the school are appropriately recorded Yes/No

All volunteers who work in the school are appropriately recorded Yes/No

Are identity checks carried out **for all adults** including volunteers who work in the school, but who are not directly employed in the school? Yes/No

Unchecked volunteers are appropriately supervised Yes/No

Unsupervised contractors are DBS checked Yes/No

All governors have an enhanced DBS check Yes/No

Has the school had an external safer recruitment audit in the last three years?

Yes/No

If yes what actions have been taken since the audit report?

Attendance

The school has an up to date admissions register Yes/No

The school has an appropriate attendance policy in place Yes/No

The school records attendance Yes/No

The school monitors the attendance of vulnerable groups Yes/No

The school has appropriate safeguarding responses to children who go missing from school Yes/No

The school is fully aware of the education arrangements for pupils on their roll but educated elsewhere Yes/No

The school reports register deletions/admissions to the LA Yes/No

Appendix 2 Schools Intervention Service

Site safety and security

Does the school have policies and risk assessments related to site security?	Yes/No
Are there any issues relating to site security and boundaries?	Yes/No
Has the school had a recent security review?	Yes/No
If yes what actions have been taken since the review?	Yes/No
Does the school have arrangements for managing visitors and site access?	Yes/No
Is there a system for recording suspicious incidents?	Yes/No
Does the school have lunchtime and break supervision plan	Yes/No

Medical and First Aid

Does the school have qualified first aid staff?	Yes/No
How many?	
Does the school have paediatric trained staff?	Yes/No
Does the school have an accident record keeping system?	Yes/No
The school regularly monitors accident records	Yes/No
Does the school have individual protocols for children with medical needs?	Yes/No

Critical Incidents

Is there a critical incident plan?	Yes/No
Does the school have regular evacuation drills	Yes/No
Does the school have regular invacuation drills	Yes/No

Appendix 2 Schools Intervention Service

Curriculum

Does the curriculum cover personal safety? Yes/No

Are children taught e-safety? Yes/No

Appropriate filters and monitoring systems are in place to protect pupils
from harmful online material Yes/No

Physical Intervention

Does the school have a physical intervention recording system Yes/No

Prejudice-related Incidents

Does the school record incidents using PRIDE? Yes/No

Looked After Children

A named teacher promotes the educational achievement of LAC pupils Yes/No

Appropriate staff have the all the information they need Yes/No

Appendix 2 Schools Intervention Service

Signs of success

The school can evidence that pupils are protected and feel safe Yes/No

Pupils can identify a trusted adult with whom they can communicate
their concerns Yes/No

Summary – strengths and recommendations

Local Authority Adviser:

Date:

TRADING UNITS UPDATE

To: Audit and Accounts Committee

Date: 22nd November 2016

From: Keith Grimwade: Service Director for Learning

Electoral Division(s): All

Purpose: The purpose of this report is to:

1. Describe the level and significance of trading activity in the Learning Directorate.
2. Set out actions being taken to address any issues with trading to secure 16/17 budgets.
3. Through two detailed case studies to illustrate the Directorate's approach to business planning, charging and risk management.

Recommendation: The Committee is asked to note and to comment on the report.

<i>Officer contact:</i>	
Name:	Keith Grimwade
Post:	Service Director for Learning
Email:	keith.grimwade@cambridgeshire.gov.uk
Tel:	01223 507165

1. BACKGROUND

- 1.1 The Learning Directorate's gross budget (2016/17) is £55.5 million. The LA contribution to that budget is £19 million. Centrally retained or de-delegated Dedicated Schools Grant accounts for £2.5 million. The remainder, £34 million, is traded income, earned mainly from trading with early years settings and schools.
- 1.2 Almost all Learning Directorate services trade to some extent and this has increased as schools have become academies. This is because funding moves from the LA to the academy on conversion but many academies choose to continue with services they have received from the LA through a buy-back arrangement.
- 1.3 This paper focuses on the seven 'fully traded' services that account for the majority of the Directorate's traded income, and presents two case studies to illustrate the approach to business planning, charging and risk management.

MAIN ISSUES

- 2.1 Table 1 below shows the year-end position of the seven main traded services for the last two years. A minus variance against net budget represents an overrecovery, and therefore a positive position. However, it should be noted the minus variance for the Catering and Cleaning Service is against an expected contribution to the Council budget of £350k, i.e. it still contributed over £300k 'profit' to the Council.

Table 1 14/15 & 15/16 Year-end position

	14/15			15/16		
	Net Budget	Actual	Variance	Net Budget	Actual	Variance
CCS (Catering)	-250,240	-192,710	57,530	-350,000	-367,655	-17,655
Burwell House	-337	11,601	11,938	-337	10,284	10,621
Cambridgeshire Music	20,000	-7,629	-27,627	0	-148,456	-148,456
CEES (Environment Education)	-1,343	13,962	15,305	-1,343	26,900	28,243
EdICT	229,767	235,789	6,022	0	14,046	14,046
Grafham Water	-26,401	6,345	32,746	-26,576	23,264	49,840
Professional Centre Services	-35,046	-44,714	-9,668	-45,046	-32,517	12,529

- 2.2 Currently, the Learning Directorate is reviewing all of its traded services. The aim is for them to be sustainable, profitable and high quality. If this is not possible to achieve, services may be closed, e.g. the Grounds Maintenance Service was closed last financial year because it was never going to be able to compete with large providers who have scale economies, or small local providers, who have low overheads. We worked with schools to find alternative providers and there was no disruption of service to customers.
- 2.3.1 CCS are budgeted to achieve a £400k contribution to the Local Authority and at present it is forecast that this will be achieved although the service does have a number of risks.
- 2.3.2 The Northants CC closure of their school meals service resulted in the loss of orders for 3.1m meals annually (70% of the production), and has necessitated the closure of the B4 Distribution Centre, and the winding down of the C3 Cook Freeze Centre which will incur significant costs. Work is underway to assess the most effective options for the service and C3 production unit going forward.
- 2.3.4 A plan of savings and restrictions of expenditure is in place to accommodate the £144k forecast trading shortfall and the estimated £82k the dilapidation & demobilisation costs of current B4 premises. Further to this there are potential additional £188k costs relating to the redundancy and pension strain costs for any staff who cannot be redeployed.
- 2.3.5 Finally, the NJC pay award for the lowest grades increased above the expected level which is a pressure for the service as it affects a large percentage of CCS operational staff (cleaners and catering assistants). A proposal for either a joint venture, or a strategic partnership, for CCS is going to CYP Committee on 8th November.
- 2.4 Burwell House is budgeted to make a small contribution of £337 and at present it is forecast that this will be achieved this year.
- 2.5 Cambridgeshire Music has a net nil budget and it is currently forecasted that they will be on budget.

- 2.6 CEES is budgeted to achieve a contribution of £1,343. At present it is forecast that there will be a deficit of £7k against the budget. This position is as a result of redundancy costs and a shortfall in income although it has been possible to mitigate some but not all of the impact as a result of other staffing savings.
- 2.7 The ICT service is budgeted to provide a £100k contribution in 2016/17 whereas previously it was expected to just break-even. Currently it is forecast that this additional contribution will be met in full.
- 2.8.1 The Grafham Water budget includes a £26,576 targeted contribution back to the Local Authority in addition to the repayment of a loan back to the local authority, the 16/17 payment totals £99,160. Grafham are currently forecasting an £86k deficit against this position.
- 2.8.2 National Living Wage changes in addition to increased pension and National Insurance contributions have had a particular impact on Grafham causing greatly increased staffing costs. Prices for residentials are set a year in advance and therefore the increased staffing costs could not yet be passed onto customers. Furthermore, it has been necessary to be considerate of the costs the market can sustain in terms of price increases. In addition to this, a number of in year issues have caused the forecast to worsen including a number of staff on long term sick leave, a last minute cancellation and planning costs for the new bike track coming in higher than expected.
- 2.8.3 To try and mitigate these issues, Grafham have advertised a number of new staffing position to reduce the need for more expensive agency staff. Furthermore, the Centre have been actively marketing the centre to all their market segments, developing the programme to create new ideas and attract new custom.
- 2.9 Professional Centre Services is closing its provision at Wisbech Castle and this will bring its budget back into line. It is expected to make a £45,046 net contribution to the authority this year and as at the end of October it is forecast that this will be achieved in full.

CASE STUDIES

- 3.1 Two case studies are presented as separate confidential appendices (Appendices 1 and 2) to illustrate the Directorate's approach to business planning, charging and risk management.

AUDIT AND ACCOUNTS COMMITTEE FORWARD AGENDA PLAN

MEETING DATE REPORT DEADLINES AND REPORT TITLES	Frequency of report	Corporate/Service Director /external officer responsible	Report author
22nd NOVEMBER 2016 Deadline for reports to be with Democratic Services: Mid-day Tuesday 8TH NOVEMBER 2016			
Minutes and Minutes Log Update	Each meeting	<i>Democratic Services</i>	Rob Sanderson
Safe Recruitment in Schools	Regular update	<i>Children and Young People with input from Toby Parsons and Internal Audit</i>	Keith Grimwade / Chris Meddle / Sara Rogers / Mairead Kelly
Trading Units Update	One off		Mairead Kelly / Keith Grimwade / Martin Wade
Workforce Strategy and Model - Update Report	Regular update until final Strategy agreed and implemented	Human Resources – Head of People	Martin Cox / Janet Maulder
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes	Chief Finance Officer	C Malyon / Rebecca Bartram

	Committee		
External Audit - Annual Audit Letter 2015/16 Audit	Annual	External Audit	BDO
External Audit Options - Appointments report		LGSS Central Finance	Matt Bowmer / Iain Jenkins
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Progress, Galileo and whistleblowing and the outstanding library till issue) <i>Relevant officers to attend the Committee to be invited by Duncan Wilkinson where management actions have gone beyond the next agreed target date</i>	Each meeting except June as this is too close to the July meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
LGSS Accounts (Moved from September meeting)	Annual	Deputy S151 Officer. LGSS	Iain Jenkins Head of Finance (Deputy S151 Officer) LGSS
Review of Ely Archives Project	Approval to add Review to Internal Audit Programme	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit

24th JANUARY 2017 Deadline for reports to be with Democratic Services: Mid-day 10th January 2017			
Minute Log	Each meeting	Democratic Services	Rob Sanderson
LGSS Accounts	Annual	Deputy S151 Officer. LGSS	Iain Jenkins Head of Finance (Deputy S151 Officer) LGSS
Highways Assets Issues there will be separate reports on the following: a) Revaluation of Highways Assets and Infrastructure Transport Asset Register b) Update on the 18 month Programme on to register 6,000 parcels of land purchased for Highways Schemes	One off One off		Mike Atkins Camille Rhodes (Haggett)
Learning Points Update Report from this Year's Accounts exercise	One off	BDO / Finance	Iain Jenkins, Sarah Heywood. Richard Perry / Lisa Clampin, David Eagles / Barry Pryke
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Committee	Chief Finance Officer	C Malyon / Rebecca Bartram

Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update and updates in the recommendations reported to the July Committee meeting on Information Security and Social Care IT System and an update on the Domiciliary Care audit) <i>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</i>	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Options Appraisals Report	One off Report		
Risk Updates Report		Director, Customer Services and Transformation	Sue Grace / S Norman
CLEC Update Report		Internal Audit	Mairead Kelly
Review of Ely Archives Investigation Report	One off Report	Internal Audit	Duncan Wilkinson / Mairead Kelly
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 including Pensions Work Plan to include cover sheet with recommendations on what Auditors wish the Audit and Accounts Committee to agree	Annual Report to March meeting	BDO LLP	Lisa Clampin, David Eagles / Barry Pryke
Update Report on progress on proposed changes to the Annual Accounts process for implementation for the 2017-18 Accounts	One-off	BDO / Finance	Sarah Heywood / Iain Jenkins / Lisa Clampin

Internal Audit Plan 2017/18	Annual to the March meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Risk Updates Report		Director, Customer Services and Transformation	Sue Grace / Sue Norman
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Update) <i>Relevant officers to attend the Committee to be invited by D Wilkinson where management actions have gone beyond the next agreed target date</i>	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Integrated Resources and Performance Report	Each Cycle would always be one that had already been through General Purposes Committee	Chief Finance Officer	C Malyon / Rebecca Bartram
JUNE 2017			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Draft Annual Governance Statement	Annual	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
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	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Review of Terms of Reference	Once a year	Interim Head of Internal Audit	N Hunter
Integrated Resources and Performance Report	Each Cycle (Except July)	Chief Finance Officer	C Malyon / Rebecca Bartram
JULY 2017			
Deadline for reports to be with Democratic Services – Mid-day			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Workforce Strategy and Model Update	each meeting until Strategy in place	Head of HR	M Cox
2017-18 Fee Letter	Annual	External Audit	David Eagles / Barry Pryke
Draft Statement of Accounts: 2016-17 (last year for the draft accounts as the 2017-18 set are required to be agreed by June 2018)	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant	Chris Malyon / Iain Jenkins
LGSS Draft Accounts (for information only)	Annual	Deputy S151 Officer. LGSS	Iain Jenkins Head of Finance (Deputy S151 Officer) LGSS

Code of Corporate Governance - updated document	Annual	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Internal Audit Progress Report (Including Progress of Implementation of Management Actions and Internal Audit Plan Progress) <i>Relevant officers to attend the Committee to be invited by Duncan Wilkinson where management actions have gone beyond the next agreed target date</i>	Each meeting except June as this is too close to the July meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
Audit and Accounts Committee Training Plan. <i>This may have to be rescheduled to an earlier meeting as there will be elections in May 2017 which will inevitably result in changes of membership.</i>	Once a year	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit
SEPTEMBER 2017			
Deadline for reports to be with Democratic Services: Mid-day Tuesday 6th September			
Minute Log Update	Each meeting	Democratic Services	Rob Sanderson
Annual Report to Council	Once a year presented to the October full council meeting	LGSS Head of Internal Audit	Duncan Wilkinson LGSS Head of Internal Audit

Accounts: <ul style="list-style-type: none"> Revised Statement of Accounts ISA 260 Report and Letter of Representation and ISA 260 Report – Pension Fund 	Annual	Chief Finance Officer / Strategic Finance Manager / Group Accountant External Audit BDO LLP	Chris Malyon /Iain Jenkins Lisa Clampin, and Barry Pryke David Eagles
Internal Audit Progress Report	Each meeting	LGSS Head of Internal Audit	Duncan Wilkinson / Mairead Kelly
Risk Updates Report	Regular	Director, Customer Services and Transformation	Sue Grace / Sue Norman
Resources and Performance Update Report	Each Cycle	Chief Finance Officer	Chris Malyon / Sarah Heywood / Rebecca Bartram

To be programmed

Request at 20th September 2016 Committee for a report in due course to illustrate the effectiveness / benefits accrued from spend on projects undertaken as part of the Transformation Programme. Sarah Heywood

Notes

Risk Management Update reports to March, June, September and January.
The June report will also be the Annual Risk Management Report

2016/17 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 as the meeting is too near the June meeting and General Purposes Committee is later in July and would always be one that had already been through General Purposes Committee or was going to General Purposes Committee in advance of this Committee as the appropriate decision making Committee

Update 8th November 2016

