

AUDIT AND ACCOUNTS COMMITTEE



Tuesday, 26 January 2021

Democratic and Members' Services
Fiona McMillan
Monitoring Officer

14:00

Shire Hall
Castle Hill
Cambridge
CB3 0AP

COVID-19

During the Covid-19 pandemic Council and Committee meetings will be held virtually for Committee members and for members of the public who wish to participate. These meetings will held via Zoom and Microsoft Teams (for confidential or exempt items). For more information please contact the clerk for the meeting (details provided below).

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-conduct-code>
2. **Public minutes of the Audit and Accounts Committee meetings** **3 - 28**
held 24th November and 23rd December 2020
3. **Minutes Action Log** **29 - 34**
4. **Petitions and Public Questions**
5. **Internal Audit Progress Report** **35 - 58**
6. **Debt Management Update** **59 - 66**

7. Financial reporting and related matters update 67 - 74

8. Agenda Plan 75 - 78

9. Date of Next Meeting

Tuesday 23rd March 2021 (2:00pm)

The Audit and Accounts Committee comprises the following members:

For more information about this meeting, including access arrangements please contact

Councillor Mike Shellens (Chairman) Councillor Graham Wilson (Chairman) Councillor Terence Rogers (Vice-Chairman) Councillor Peter Hudson Councillor Mac McGuire Councillor David Wells Councillor John Williams

Clerk Name:	Daniel Snowdon
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Audit and Accounts Committee: Minutes

Date: 24th November 2020

Time: 2.p.m. – 5.18 p.m.

Place: Virtual Meeting

Committee Members Present:

Councillors: P Hudson, M McGuire, T Rogers (Vice Chairman), M Shellens, (Chairman), T Sanderson and J Williams

Officers Present:

Mark Hodgson Associate Partner Ernst
and Young LLP External Auditor

Graham Hughes Service Director for
Highways and Transport

Neil Hunter Head of Internal Audit for

Tom Kelly Head of Finance

James Gemmell Transformation Manager

Richard Lumley Assistant Director of
Highways Services

Fiona Mc Millan Joint Director Law and
Governance and the County Council
Monitoring Officer

Michelle Parker – Group Accountant

Rob Sanderson - Democratic Services
Officer

Ellie Tod – Strategic Finance Manager

Duncan Wilkinson Chief Internal Auditor

277. Apologies for Absence Declarations off Interest

No apologies were received.

278. Minutes of The Audit And Accounts Committee Dated 30th October 2020

With a correction to the times of the meeting to show 10 a.m. to 12.06 p.m.

It was resolved:

That subject to the above correction, the minutes of the meeting held on 30th October 2020 were agreed as a correct record and would be signed by the Chairman when Shire Hall was re-opened.

Issues raised on the minutes:

Minute 272 Pension Fund Report and Statement of Accounts - The Chairman

wished to place on record his thanks to all those involved in the smooth running of the audit of the Pensions accounts.

279. Minute Action Log Update

The following updates not available at the time of publication of the Minute Action log update were provided by the Head of Internal Audit:

- Minute 265 Internal Audit Plan - Outstanding Audit Plan Recommendations from previous Reviews – This was included as Appendix A to the late Internal Audit Progress Report listed as agenda Item 9.
- Minute 265 Internal Audit Plan b) Supplier Relief - Internal Audit further focus on additional spend over £20k - the details were included in paragraph 3.3.1 in the late Internal Audit Progress Report.
- Minute 265 Internal Audit Plan - Briefing on Audit Plan changes - The Head of Internal Audit indicated that he believed that the Chief Internal Auditor had briefed the Chairman and updated details were included in Appendix A of the late Internal Audit Progress Report.
- Minute 275 Whistleblowing Policy Annual Report a) Key officer contact changes - included in the above referenced e-mail to the Chairman on 17th November.
- Minute 274 Internal Audit Draft Annual Report 2019-20 a) Interim Reviews on Key Financial Systems – CCC audits had commenced on Treasury Management, Debt Collection Recovery and Accounts payable and receivable, the request for an interim audit had been passed to the Chief Internal Auditor and assurance was now provided that the key reviews would be completed before 31st March 2021.
- Minute 274 Internal Audit Draft Annual Report 2019-20 b) Anti-Fraud Corruption Open Cases – on the update on still open blue badge cases, one had now been closed and one had been followed up. (these were cases where the blue badge was with someone not entitled to have one e.g. a legitimate holder person died and another person not entitled was using it when it should have been handed back or where it had been fraudulently obtained)
- Minute 274 - Internal Audit Draft Annual Report 2019-20 - National Fraud Matching Exercise – The issue raised by the Chairman of whether this was value for money with regard to the costs and benefits of participating, the request had been passed to the Counter Fraud Team. The response would be included in a brief paper to the January 2021 meeting. **Action: Neil Hunter to obtain response from Counter Fraud Team.**
- Minute 274 Internal Audit Draft Annual Report 2019-20 d) Cyber security and Public Sector – The Chairman had requested an email regarding progress on agreed actions to address identified control weaknesses. This was still with the Head of IT for a response in respect of some of the recommendations. **Action: Neil Hunter to follow up for inclusion in an email to the Committee outside of the meeting.**
- Appendix A to the Minute Action Log -referencing the 2019-20 performance of the Pension Fund of -5.7% ranking it 67th percentile out

of the 63 funds participating in the Pension Fund universe - the Chairman requested clarification of whether this represented increased or decreased performance and whether the Fund was nearer the top or bottom of the performance league. The Vice Chairman, the Chairman of the Pension Fund Committee, explained that it was an increase. He highlighted that the Cambridgeshire Pension Fund, like all pension funds, had been adversely impacted by the Pandemic, which was beyond the Fund's control and had affected performance in the last two weeks of the previous financial year. Before the pandemic, the Fund had achieved a fully funded level of 102%. This had dropped to 90% in the last two weeks of the financial year but with the financial markets recovering, the funding level was also slowly recovering from this lower level.

It was resolved:

To note the Minute Action Log.

280. Petitions And Public Questions

None received for either by the County Council Constitution deadlines.

281. Statement of Accounts 2019-20

This report presented the audited (subject to outstanding items), revised Cambridgeshire County Council (CCC) Statement of Accounts 2019/20, the Annual Governance Statement and Pension Fund accounts with the Accounts provided as Appendix A to the report. It replaced the draft version presented to the Committee for review on 30 July 2020 and included suggested changes made at that meeting and was considered in conjunction with the ISA260 report from Ernst Young EY, the Council's external auditors.

The deadline for the publication of the Accounts was 30th November 2020 and while the Council and External Audit had been endeavouring to achieve the date, one or two areas might take slightly longer to conclude. The report outlined the limited areas remaining to be completed, which were all of a technical nature. On that basis, in common with previous years as the Accounts were still not finalised, to avoid the need for an additional meeting, the Committee was recommended to approve the final version of the Accounts via a delegation.

One significant change highlighted regarding the accounting approach and consequent audit requirements for 2019/20 was the appointment of a new valuer, to undertake the Council's asset valuations. As a result, the valuation technique for school assets had changed so that they had now been valued on a Modern Equivalent Asset basis (i.e. on the basis of how an asset would be replaced to provide the required service, rather than valuing what was physically in existence). This change brought the Council's valuations more closely in line with the guidance issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) and Royal Institute of Chartered Surveyors (RICS).

Paragraph 3.1 of the cover report set out the most significant changes between the draft submitted in July, and the revised Accounts included in the present report. No fundamental changes had been made since the last draft and those that had been made were mainly the result of reclassifications, for example between short and long term borrowing and a revised pensions adjustment as a result of the receipt of the revised actuarial report and based on actuals rather than predicted performance. Paragraph 3.2 detailed adjustments that had been identified but had not been adjusted as they were immaterial and would otherwise impact upon the revenue or capital outturn position.

Section 4 of the report set out the matters still outstanding. Highlighted were the following:

- Property, Plant and Equipment (PPE) – the impact of Covid-19 on both valuations and furloughing of key contacts, the move to a new external valuer and the additional difficulties in obtaining information due to working away from the office had all contributed to additional work and delays in this area. A significant amount of work had now been completed, but there were still some outstanding queries around the sample of valuations, the material uncertainty disclosure in the accounts and the valuations of the Council's investment properties. It was likely that further adjustments would be required.
- Going Concern Assessment – in order to ensure that the assessment was as current as possible, this text had not been provided until the latter stages of the audit. Page 80 of the agenda provided the 'Going Concern' expanded disclosure. The scenario-based approach to modelling going forward on the impact of the pandemic gave renewed confidence that the Council would be able to achieve a balanced budget in the current year, but with the uncertainties around the Spending Review, this might require future changes to service levels and Council Tax.
- Payroll testing – delays have been created by lack of capacity in the payroll team to provide the information required. As an oral update the information had now been received but there were still two outstanding areas of work to be completed. It was not anticipated that there would be any adjustments required.
- Group Accounts – the Council's wholly owned company, 'This Land', had a different accounting date to the Council. Whilst this provided the benefit of being able to include the completed 'This Land' accounts within the Council's draft Group Accounts, it did require additional audit work by 'This Land's' auditors regarding the period between the two balance sheet dates (31 December 2019 and 31 March 2020). At the time of the meeting while the work was nearly complete, EY were still awaiting for the final report from 'This Land's' auditors and the Council were waiting for the company's adjusted management accounts.

The report highlighted that the auditor had not yet begun the Value for Money review for 2019/20 due to the conclusions for 2017/18 and 2018/19 were still outstanding along with unresolved objections on the accounts. BDO LLP, the Council's previous external auditors, had now replied formally to the letter sent

by the Chairman of the Audit and Accounts Committee in November 2019, setting out the status of work on the 2017-18 Value for Money Conclusion and 2017 and 2018 objections, and had provided a timescale to complete this work. The revised timescale anticipated that it would be reported to the January 2021 Committee. Once this work concluded, EY would then be able to schedule the work required for the 2018/19 and 2019/20 Value for Money Conclusions. Later in the meeting the Chairman highlighted that it had taken nearly a year for BDO to reply to his letter. He updated the Committee that a meeting originally scheduled for 10th November between their lead auditor, Lisa Clampin, and the Chief Executive to discuss their audit response had been cancelled at short notice by BDO, and had been rescheduled to the 3rd of December.

The Chairman expressed his personal concerns that despite having two extra months, it was still unlikely that the Council would achieve the 30th November publication date.

As the External Auditor was required to attend another Council meeting at 3.00 p.m. the Chairman invited him to present his report which commenced from page 181 of the agenda.

282. Ernest Young External Audit Report Cambridgeshire County Council Audit Results Report Year Ended 31st March 2020

Mark Hodgson the External Auditor introduced the report explaining that one of the big impacts on the production of the Accounts resulting from the pandemic and subsequent lockdown was all the audit work had been carried out electronically without face to face meetings between the auditors and the Finance Team. In response, the Chairman asked whether they would wish to continue this approach in future years? Going forward it was likely to be a hybrid approach, as while electronic meetings saved a lot of time from not having to travel, in some situations, face to face discussions were still advantageous.

EY confirmed that they had substantially completed the audit with the current status set out in the 'Executive Summary' providing details of progress against each area of significant risk and areas of focus in section 2 of the report. Subject to concluding the outstanding matters listed, EY expected to be able to issue an unqualified audit opinion on the financial statements in the form included at Section 3. As already highlighted in the Accounts Cover report, EY were unable to commence work on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources as the 2017-18 and 2018-19 Value for Money conclusions remained outstanding.

From the Executive Summary he drew attention to the following:

- The changes to their risk assessment as a result of Covid19 in respect of:
 - Disclosures on going concern - requiring revisions to financial plans for 2020-21 and medium term plans

- Valuation of land and buildings - caveats around the material uncertainty had been included in the year end valuation reports produced by the Council's external valuer and gave rise to an additional risk relating to disclosures on the valuation of land and buildings
 - Pension Liability due to the impact of Covid-19 on the availability and timings of market data on the Pension Fund investments and in particular Level 3, which as the required estimation was by 31st March 2020 carried a higher likelihood of material misstatement and therefore increased the risk to a significant risk.
- Page 286 overall materiality had increased to £19.58m.
- Page 288 listed the items relating to the completion of the audit that were still outstanding at the time of the report's publication with an oral update position being provided regarding:
 - Property Plant and Equipment - this was still a significant area of work with a number of audit queries that required to be resolved.
 - Going Concern - as referred earlier, the Disclosure Note in the Accounts had been updated by Finance, and there was only one area around disclosing the two scenarios still to be agreed before they were comfortable.
 - Group Consolidation – They were waiting the report from the Group Component Auditors (RSM) which had been due on 13th November but had still not been received and was still being chased up. The Chairman offered to assist if this would help speed matters on.
 - Cash and Cash Equivalents - one confirmation from an external provider was being chased.
 - On Borrowings – they were working through an update received regarding the split between the Long and Short terms borrowing note and the classification of it within the Accounts.
 - Payroll – the information to support the Council's payroll expenditure had been received and EY were now just waiting to resolve a couple of questions raised.
 - Unrecorded liabilities - this was worked on right up to the date of the audit opinion and would be one of the last tasks to be carried out.
- Page 289 Audit Differences - there were currently three unadjusted audit differences, but as they were only cumulatively totalling £6.61m they were not material and would not impact on the final audit opinion. However, the auditors had requested that they should be adjusted and if not, a rationale as to why they were not corrected needed to be considered and approved by the Committee and provided within the letter of Representation.
- Pages 290-291- In terms of adjusted audit differences, one had been identified as material with regard to the classification of grants within the Comprehensive Income and Expenditure Statement, with five more above the reporting threshold of £0.98m.
- A number of audit disclosure differences were identified in the draft financial statements. These had now been adjusted.

- No significant deficiencies had been found in the design or operation of an operational control that might result in a material misstatement in the Financial Accounts that were unknown to Finance Management.
- On Powers and duties - one objection to the financial statements had been received, but EY had not yet confirmed whether it was valid objection until they were in receipt of BDO's opinion on previous objections and on one they were still awaiting to start, which was also subject to the BDO report.
- Fraud risk were set out on pages 294-296. No evidence of fraud had been found or management override or financial miss-reporting as result of the audit activity undertaken.

Regarding the significant risk areas:

- Page 297 - Valuation of Plant, Property and Equipment (PPE) - this was considered a key area due to the Council:
 - having a new valuer in the year,
 - the impact of Covid-19 on the assets market as at 31st March 2020 and as all valuers had included in their valuations report a material uncertainty clause as at that date, there was no active market to enable assessments to be made. Finance were updating their note in this area from more recent markets information.
- As part of their asset testing they had identified a Solar Farm project called project 24 that had been wrongly classified and had required a specialist valuation.

Page 298-299 Significant Risk – Pensions Liability – IAS19 - assurance had been received from the Pensions auditors regarding the revised financial statements made to take account of the cumulative differences from the impact of Covid-19 on the valuation of complex Level three investments and regarding transition arrangements assumptions relating to the McCloud discrimination case.

Page 300 Significant Risk – Accounting For Grants - Only one classification error had been found, a much improved position compared to the previous year. Page 301 - Conversion of schools to academies - no issues were identified requiring to be reported.

Sensitivity issues - the testing of Related Parties note, the Exit packages note and the Senior Remunerations note did not identify any audit differences requiring to be reported.

Page 302 - Private Finance Initiative (PFI) – an adjusted audit difference in the Street Lighting PFI originally identified in 2018-19 had been rectified and there were no other matters to report. They were comfortable with the PFI classification.

Page 302 - Valuation of Heritage Assets and Page 303 Dedicated Schools Grant - no matters to report.

Page 304 - Going Concern Disclosures - this covered two fiscal years, with Finance management having provided some detailed scenarios which had been stress tested including looking at liquidity of the Council and the reserve position at the end of the two years. EY concluded that the assessment by Management was robust. However, they had required a fuller narrative in the disclosure note

in terms of an 'Emphasis of Matter' paragraph to make clear to lay readers the potential impact on key reserves and potential key Council decisions that might be required in this area or in terms of future Council Tax levels. On this latter point the Head of Finance highlighted that increasing Council Tax would be a political decision when considering the Medium Term Financial Strategy in the forthcoming meetings round. In terms of the risk effect of Covid-19 on District Council collection rates, this was being closely monitored.

In summing up on all the issues and subject to a satisfactory conclusion on PPE it was considered that the financial statements audited gave a true and fair view of the financial position of the expenditure and income of Cambridgeshire County Council and Group as at 31st March 2020. In reply to the Chairman's suggestion that no improvements / progress had been made since the previous year, Mark Hodgson highlighted that there had been systems improvements since the previous year and better collaborative working with Council Finance staff, while again highlighting that PPE and Covid represented significant risks. In terms of signing off the Accounts, this could not be undertaken until their review of the highlighted outstanding matters was complete.

Mark Hodgson commented that they were likely to only be days or a week or so from signing, subject to receiving all the appropriate evidence. He also placed on record his thanks to the Finance Team and in particular to Michelle Parker and Ellie Tod, for the significant contributions they had made.

283. Accounts Report Continued

Returning to the Accounts Report, the Head of Finance clarified that the Improvement Plan for the Accounts production was an ongoing two-year process, but was still confident that sign off would be achieved two months earlier than the previous year. The Committee was reminded that the CCC Finance Team had only assumed responsibility for financial accounting in December 2019 and despite the shorter preparation time available due to the significant delays with completing the 2018/19 accounts, strong progress has been made in respect of the quality of the accounts produced and in the conduct of the audit. The issues for continuous improvement into next year included:

- Property Valuer consistency – 2020-21 would see the same external valuer used for a second consecutive year and would also be the second year of using the Modern Equivalent Asset basis.
- Property Assets – quality of data – audit sampling had identified that there continued to be issues with the quality and robustness of the information held on property assets. The Vice Chairman was surprised that this was still an issue. The Head of Finance explained that different issues tended to arise in different years, including the ways different external auditors conducted their audit in this area and but that the systems were still not in place that were able to identify accurately areas such as floor-space, pupils attending schools. A particular issue in the present audit had been the classification of the solar farm. The issue was about how data was held and the quality checking undertaken, with a general acceptance that it currently was still not good enough. Tony Cooper the Assistant Director

Property had prepared an improvement plan to Commercial and Investment Committee including the intention to procure a new IT Property Asset Management System. Councillor Shellens shared a note he had received from John McMillan, Group Asset Manager following his enquiry on the latest position on the IT system which provided background leading up to the present proposals in an improvement plan.

Although Commercial and Investment Committee were the appropriate committee to monitor progress on an improvement / action plan, it was still of particular concern to this Committee, due to the apparent lack of progress on obtaining a reliable IT system, that the Council could not identify all its assets accurately with the resultant continued impact on the Accounts production. After discussion, it was agreed that the Assistant Director of Property, Tony Cooper, the officer now responsible should attend the next Committee in January to provide an update report on the progress on obtaining a system that would enable an accurate assets register to be produced.

Action: Democratic Services to Contact Tony Cooper.

The Chairman also agreed that he would take up the issue with the Chairman of Commercial and Investment Committee

Action: Councillor Shellens Chairman of Audit and Accounts Committee to raise the Committee's continued concerns with the Chairman of Commercial and Investment Committee.

- Process/ system issues – this was the first year that Treasury accountancy had been completed by the CCC team, and the second year of using ERP Gold for fixed asset accounting. Utilisation of these areas would continue to improve into next year and provide further opportunities for pre-audit quality procedures.
- Reliance on third parties – production of the Accounts and the successful audit relied on the timely provision of information by teams across the Council, its partners and external organisations. The interface with Payroll would be particularly important in the forthcoming year, especially as this was being moved from LGSS to Northamptonshire. Timeliness of payroll information had been a particular problem in the current round and officers had had to prompt for replies. While accurate information had been provided, it was sometimes been difficult to provide it in the right format that satisfied EY scrutiny.

Issues raised in discussion on the report included:

- Querying whether the unadjusted audit differences were errors and whether this was due to a lack of staff training, unfamiliarity with new systems or as a result of two different sets of opinions. It was explained that some of the errors had been adjusted since the Audit and those that might require staff to have additional training were to be addressed as part of the Improvement Plan. The three as set out in the External Audit report that had not been adjusted were due to them being immaterial, but

if adjusted would impact upon the revenue or capital outturn position which had already been reported to General Purposes Committee back in May/June. The Committee on being asked, were content with the explanation and approach adopted by the Finance officers.

- On a query on whether unadjusted errors were being carried forward, it was clarified that the errors identified had been rectified through making the necessary adjustments and would not be repeated.
- Why had the Council changed the external property valuer? It was explained that there were procurement rules around the appointment of valuers and the limit on the contract that could be awarded (somewhere between 2-5 years), with the previous valuers contract term having expired, and as they were no longer on the framework, it was not possible to re-employ them. The Chairman asked if the length of a contract could be confirmed outside of the meeting. Action Ellie Tod
- Page 39 Summary Page - The Chairman highlighted that Expenditure had increased by plus 170 and income by only plus 29 and yet reserves had only changed by 28 asking for an explanation. It was explained that reserves included unusable reserves and that there was a note explaining the amount of reserves that could be used and the impact on usable reserves. The Chairman suggested 112 seemed a large difference. In answer it was explained that there were statutory overrides, amounts of income and expenditure that had to be declared which were not allowed to impact on the Council Tax base and were adjusted in the movement of reserves statement which was why there was a disconnect.
- The Chairman congratulated all those involved in the tremendous achievement that the final outturn revenue overspend was only £200k which had been a much better final out-turn than in earlier years. Page 48 Assets and Liabilities - why were there property revaluation losses? – That was as a result of the change to valuing assets on a modern equivalent asset basis and particularly applied in relation to schools where they were now assessed on what the cost of replacing the asset was, rather than valuing them what was already in place.
- Page 51 - On 'This Land' – sales of properties - in reply to a question from the Chairman asking if there had been any significant change since the publication of the report, one additional property had been sold. To reflect this, an update would be made to the balance sheet. On replying to a question on whether the sales exceeded the companies estimates, it was confirmed that they were meeting or exceeding the targets included in their agreed Business Plan.
- Page 99 - On the Dedicated Schools Grant - where there had been a deficit of £7m the previous year this had risen to £16m in the current year with the Chairman asking what action was being taken to reduce this growing deficit. Schools Forum and the Council continued to lobby Government for additional funding while also detailing the steps the Council was taking through a prepared action plan. With many other authorities being in the same position, the only long-term solution was for additional Central Government funding that matched the level of identified need.
- Page 164 Heritage Fund – the Chairman highlighted that the text indicated that officers did not consider that reliable valuation information

could be obtained regarding the Fund's acquisitions due to the lack of comparable market values and yet in the next paragraph it was indicated that Bonhams had undertaken a valuation the previous year. He asked how much had they charged and was it worth it? The cost was given as £2800 and was the first valuation for 10 -11 years, whether it was worth it was a subjective judgment, as it might not be possible to replace items like for like. The benefit was to obtain a separate independent valuation for insurance purposes and to meet accounting requirements, as otherwise it would not be possible to obtain an unqualified opinion on the Accounts. The audit requirement was that they should be revalued on a regular basis, but as the frequency was not defined anywhere, it was an ongoing discussion.

- Page 166 – Civic Regalia - Councillor McGuire expressed his continued concern that despite previous requests to have the chains of office valued, the report note was stating that their value “was not known”. As there were a number of civic related items in the Chairman’s Office that potentially could go missing in the move to Alconbury, he considered it was appropriate to obtain an insurance valuation before such a move, especially as the Chairman’s chain was gold. Michelle Parker explained that the valuation of Civic Regalia was not required for the Accounts and she had sought updates in the past from the Chief Executive’s Office. It had now been passed on to Democratic Services and would be for them to review. **Action: Inform Democratic Services Manager.** *(Post meeting correction note The Chairman’s Office and Civic Regalia has never been part of Democratic Services but is the responsibility of the Chief Executive’s Office)*
- Page 186 Pension Fund and Supporting Notes - in respect of 6244 Undecided Leavers the Chairman had requested a definition in advance of the meeting. The Vice Chairman provided the following definition from pensions officers:
- *“The number related to unprocessed leaver records with the definition of an undecided leaver being – where a member has left a period of pensionable employment and was not entitled to immediate payment of their pension benefits but is entitled to either a refund of contributions, aggregation with another period of pensionable membership, and / or a deferred pension award”.*

The numbers of undecided leaver records had increased due to external circumstances such as scheme employers not having notified the Pensions Service that staff had left or providing the information late. In 2020 the numbers had reduced from 11082 to 9636 and during the current period it was hoped to reduce the number of records to under 5000. While the numbers reduced had not been to target, this had been affected during Covid by such issues as staff redeployment and schools being behind on their returns due to the substantial pressures already on them.

Page 196 Pooled Property Fund - last paragraph reading: *“At the time it is not possible to accurately predict the scale of the impact of Covid-19 on*

the economy and as a result the 2019-20 Pooled Property valuations have been based on information prior to the outbreak on the assumption that the values will be restored once property markets recovered”.

The Chairman considered this to be a potentially extremely over optimistic statement, especially as properties made such a large part of the Pension Fund portfolio.

- The Chairman queried why there were two glossaries. This was required as one was for the Pensions Accounts. However, officers had been through the two glossaries to remove any overlaps.
- On the Annual Governance Statement, the Head of Internal Audit was able to confirm that no additional updates were required from the version seen and reviewed at the previous Committee meeting.

Having reviewed and commented on the revised Statement of Accounts, it was resolved to agree:

- a) To delegate responsibility to the Chairman and Vice Chairman of the Audit and Accounts Committee and the Chief Finance Officer to approve and sign off the final audited set of Accounts once finalised.
- b) To sign off the unadjusted audit errors and agree that as they were not material, not to include them in the final accounts.

284. Transformation - Fund Monitoring Report - Quarter 2 2020/21

As the presenting officer for the Safe Recruitment in Schools report had been called away at short notice on a private family matter and not able to attend the meeting, with the agreement of the meeting, the Chairman changed the order of the agenda to consider this report next

The report produced for the General Purposes Committee (GPC) responsible for the stewardship of the Transformation Fund, was provided to this Committee for information and for any comments. The report outlined progress in the delivery of projects receiving Transformation funding. In addition, following feedback from Members, it also contained a new section providing information on the impact of the use of the Transformation Fund. To date, GPC had approved £27.7m of investments and there was currently £15.3m funding available to allocate to further investments.

Also highlighted was:

- the role of the Recovery Board which oversaw the major change programmes and strategic projects across the County and included on it the Corporate and Service directors.
- In addition to what was reported as part of the Transformation Programme, the role of the Transformation Team in supporting other projects across all service directorates.

In discussion the following issues were raised:

- Referencing that the Adult Positive Challenge Programme was signposted red requesting more detail, on why the expected savings, had not been achieved. It was explained that the impact of the Covid crisis had resulted in a huge demand on their services, with specific factors including:
 - increased care costs,
 - market resilience pressures and changes in the care market,
 - a loss of trust in the traditional services,
 - winter pressures,
 - the costs of infection control measures including the huge cost increases for PPE (Personal Protective Equipment).
- The Vice Chairman as follow up explained that looking at the methodology it was the mechanics and administration that he found difficult to understand. It was explained that the original cost modelling had been prepared two years ago and, as a result of what had already been highlighted, made it much more challenging to make the savings originally forecast, pre Covid-19. Officers were continuing to monitor and take action both as part of the refreshed programme plans and the current business planning cycle. Reference was made to the further information on the current challenges faced by Adults' services, set out in sections 3 and 4 of the business planning submitted to Adults Committee in October 2020. For which a link had been included in the current report.
- Asking how many new projects had been undertaken in the last year? This information would be provided outside of the meeting. **Action:**
James Gemmell
- How were new project ideas generated - It was explained that the Recovery Board was the place where new ideas were discussed, having come forwards from Services and through other routes. As a follow up, the Chairman asked how the Transformation Team were helping in generating new ideas. This was through looking at best practice and ideas already used by other authorities and through the information networks to look at new opportunities and see whether any could be adapted. The Chairman asked for examples These included:
 - the first iteration of the Best Start in Life Programme
 - Child Friendly City - adapted some of that thinking
 - Adults Positive Challenge – took learning from adult services across the country.

In respect of future reporting, in discussion, it was agreed that rather than quarterly reporting, it was suggested that the Committee would be happy to receive a report every 6 months. *(Note: which would make the next one due for the June Committee meeting).*

The report was noted.

285. Safer Recruitment in Schools Update

This report updated the Committee on the Schools Intervention Service monitoring of the Leadership of Safeguarding including safer recruitment in maintained schools. It concluded that there continued to be a positive safer recruitment picture across Cambridgeshire schools.

The following questions were raised by the Chairman for an e-mail response outside of the meeting:

- Paragraph 2.2 - regarding the regular safeguarding review in schools what number of schools did this involve and how many were academies.
- In respect of academies who used other providers, how did their offer differ from that provided by the Education Department.
- Paragraph 3.3 Training support and monitoring and 3.4 Safer Recruitment Training – requesting details of the numbers undertaken against the list of courses / training events and those referenced. In the latter paragraph.
- On safeguarding complaints received by Ofsted as the paper stated they were rarely linked to safer recruitment and staff conduct, the Chairman asked for more detail on what did they involve.

Action: Democratic Services to pass on the questions to the Senior Leadership Advisor.

The report was noted.

At 3.44 p.m. as there were still reports to discuss which were expected to engender significant discussion and might include having to go into private session the Chairman adjourned meeting for a five minute comfort break. On returning the Chairman with the agreement of the meeting changed the order of the agenda to receive and review the Forward Agenda plan

286. Forward Agenda Plan

In line with the recent decision of Group Leaders to allow committees to decide which reports should be included on the formal meeting agenda and agree which reports could be provided in emails outside of the meeting, after discussion, the following was agreed:

Additions from discussions earlier in the meeting to be included on the formal agenda for January:

- Progress on Property Management Asset System
- BDO report

From those currently listed on the Agenda Plan:

- Debt Management Six Monthly Progress report - to be included on the agenda
- Statement of Accounts Process update on Improvements Plan listed in accounts report to include suggestions made at the meeting - to be included on the agenda
- Performance Report quarter 2 – e-mailed to Committee
- Integrated Finance Monitoring report – e-mailed to Committee
- Six Monthly Report in respect of Consultancy Expenditure and Compliance with the Policy - to be included on the agenda
- Safer Recruitment in Schools Update - to be included on the agenda
- Internal Audit Progress Report including update on the value of the National Fraud Initiative - to be included on the agenda.

It was resolved:

To note the Forward Agenda Plan with the changes agreed.

287. Farms Audit Update

Following the request from the October meeting for the Farms Report to come forward to this Committee meeting, an update briefing was provided on the current position and the options going forward in terms of the presentation of the investigation findings.

The Chief Internal Auditor explained that the Internal Audit work was now complete and being fact checked with key stakeholders. In excess of 300 comments and submissions had been received and reviewed, The volume and nature of comments required the revised report to be circulated, to give all stakeholders the opportunity to fact check the changes. Following this, the revised audit timetable was:

- Report to key stakeholders 10th November
- Final comments to be received by 27th November
- Final report to be prepared by 4th December to the Monitoring Officer and Chief Executive to consider whether any issues needed to be progressed under formal processes. This would be dependent on the volume of responses.

The report also highlighted that the Council had received and was administering Subject Access Requests from tenants which were of a complex legal nature.

Having discussed issues with legal advisors the timetable proposed by the Chief Internal Auditor, Monitoring Officer, Chief Executive was as follows:

1. To ensure organisational confidence, the final report would be shared with the Leader of the Council and Chairman and Vice Chairman of Audit and Accounts Committee (AAC) as a confidential document.
2. Following this it was proposed that the next steps would be discussed at a meeting with the Chairman / Vice Chairman, Leader of the Council,

Chief Executive, Monitoring Officer and Chief Internal Auditor including whether the report would be published, or whether it was to be held as a confidential report.

In discussion issues raised included:

- The Chairman highlighted that the audit investigation had been in progress since February / March 2019, the best part of two years, and that there was now a need for public exposure.
- A view raised by another Member was that it could be perceived that the officers were seeking to delay providing the report as long as possible, possibly after the election in May. He reiterated, that the Committee had originally been promised a report, and therefore still required to see a report that could be discussed in a public session. He highlighted that the report of the Chief Internal Auditor was now suggesting that there might be a confidential report that should not be disclosed and that the decision on its release would be made by the Chairman / Vice Chairman, Leader of the Council, Chief Executive, Monitoring Officer and Chief Internal Auditor. Due to the serious nature of the allegations made, and the need for the Council to show itself to be transparent, this was not acceptable. The Committee needed to see the confidential report and then later, a public version should be produced for discussion in Committee. He expressed his extreme concern of the approach being suggested, regarding who was to make the decisions on the report's release and who should see it.
- Another Member in completely agreeing with the previous speaker, expressed his extreme concern that the report had taken 18 months to produce and suggested that if there were 300 corrections required, this cast doubt on how accurate the original report had been. (The Chief Internal Auditor clarified that it was 300 comments and views expressed, not necessarily requiring changes). Before proceeding further, the Member made clear all the information he was about to provide / request clarification on, was already in the public domain or had been in the current report or in emails from officers explaining the reasons for the continued delays. He highlighted that as a result of the Internal Audit referral there had been a police investigation into an elected member which had finished in April 2020 after a ten month investigation with no further action being taken by the Police. This was seven months ago and yet there was still no report for the Committee to view.

In reply to the Chairman's question on whether the Police investigation had held up the internal investigation, the Chief Internal Auditor responded that Police had instructed them not to progress any issues while their own investigation was ongoing, and any request to do so, would have required the Police's explicit agreement.

- As a follow up, the Member asked the Chief Internal Auditor whether any County Council officers had also been the subject of a Police investigation. He was able to confirm that the issues from the audit

investigation had been referred to the Police for them to take a view on individuals who might be subject to investigation. The Police considered potential offences regarding multiple individuals. It was a Police decision not to proceed any further. For legal reasons he did not wish to discuss individuals.

- On ‘Subject Access Requests’ a Member asked a question that why, if a person involved in an investigation requested information from the County Council, should they not be provided with the information before any ‘Subject Access Request’. The Member asked the Chief Internal Auditor if the information had been requested before the ‘Subject Access Request’. In reply, the Chief Internal Auditor replied no, and when asked again, confirmed that was correct.
- The Member who had asked the above question understood that such formal requests required a response within one month, and in exceptional cases, three months. He understood that the request had been made in May and therefore the three months maximum time limit would have expired in August. He asked whether the information requested had as yet been provided. The Chief Internal Auditor was not able to confirm the current position, as such requests were not directly received by Internal Audit but were being administered by another, separate part of the Council. The Monitoring Officer clarified that the process followed was now near a conclusion, with the Council still taking legal advice on what was disclosable and what was not, as part of being able to provide a final response. The Member highlighted to the meeting that in that case, the Council had far exceeded the three-month maximum period required to provide a response.
- The same Member taking information included in the current report highlighted the separate review of the farms estate and that the report indicated, had been shared with the new permanent Farms Head of Service (Tony Cooper) on 10th November. The report stated that it was for that officer to review, agree and start implementing the service recommendations. The Member highlighted that this was a review that was to have been reported back to Committee, but the Committee had neither received a report, or any briefings on it and asked why this was. In reply, the Chief Internal Auditor stated that one of the key pieces of feedback received from the original fact checking exercise was that the issues in the Farms Audit were directly inter-related to the Terms of reference of the original audit investigation. Following this, the Chief Internal Auditor had made the decision that they were best considered as part of one report.
- On the report’s next proposed steps, the same Member stated, that having been informed that it was essential to “properly protect the Council, stakeholders and the Audit and Accounts Committee” via an informed decision to be taken by those already listed, as no information had been provided, he questioned what it was they were being protected from. As he did not wish to take up any more of the Committee’s time and still had a list of questions to ask of the officers, he indicated that he

would be writing to the Chief Internal Auditor and the Monitoring Officer with the list of still outstanding questions that he expected answers to. He also made clear that if he did not receive satisfactory answers, he would be bringing the questions back to the next Committee in January, while still expecting that at that meeting there would be a final report for the Committee to discuss. The Chairman requested to also be copied into the correspondence. Action: Cllr Hudson

- Both the Chairman and Vice Chairman placed on record that they had not received or seen sight of a report or had received detailed briefings on its contents. The Vice Chairman questioned the role of the Committee when it appeared they were being frustrated at receiving a final report by legal considerations, but were not given details on what they were.
- Another Member asked what action could be taken to ensure a report was received at the next Committee meeting. He also asked that if the Chief Auditor, Monitoring Officer, Chairman, Vice Chairman and Leader made a decision not to release the report, what was the purpose of the Audit and Accounts Committee if they could not consider such an important Internal Audit report? He insisted that the Committee still needed the opportunity to see and discuss it, even if it was confidential and had to be discussed in private session and that at a later date, a public version needed to be produced. He could not support the proposed approach set out in the report, as any informed decision should involve the whole Committee. In reply, both the Monitoring Officer and the Chief Internal Auditor while reiterating there were still key challenges requiring legal advice to be resolved that were currently delaying the next steps, agreed to take on board the views made by the Committee and would take them back to revisit the issues with the Chief Executive.

The Chief Internal Auditor summing up from the officer side highlighted that both the Monitoring Officer and himself shared the Committee's concerns and frustrations. He clarified that the officers' were not saying that a report would not come forward that could be discussed in public, but that an informed discussion was needed to progress the next steps. This discussion would be on the options and their potential consequences before being able to decide the next steps to be taken which could involve:

- further delay
- convening a special meeting for the immediate consideration of the report in public session.

In summing up the debate, Chairman made the point that it was unacceptable that the resolution of the issue should be delayed and not be resolved before the Purdah period before next year's Local Government election. This was not an issue that a new chairman and a new Council should have to inherit. If it was possible, he would wish to have a special meeting before Christmas and if this was not possible, then it should be very early in January and he could also see the need for potentially a second and even a third meeting. In reply to a question on when was Purdah, it was clarified that it was the last week in March.

the Chairman outlined what he believed were the main points namely that a third iteration of the facts was due to end on 27th November when the officers then had a few days to make any final changes. The report would then be issued on 4th December to himself, the Vice Chairman and the Leader of the Council who would then meet for a discussion with the Chief Executive, Monitoring Officer and the Chief Internal Auditor on a yet to be decided date. The Chairman commented that while it was not his preferred option, there should also be an option for a redacted report that the Committee and the public could see.

On being asked to confirm the facts of what the Chairman had said were accurate, the Chief Internal Auditor clarified that there had only been two, not three cycles of fact checking and confirming they were only applying two cycles. The strong message to be taken forward was that the officers believed they were ready to finalise the report and after the said report had been provided to those listed in the report, the following options would be discussed with the Chairman and Vice Chairman, including their potential consequences. For further clarification the options to be discussed would include:

- consideration on publishing the report
- the Committee considering a redacted version of the report
- the Committee considering the full report in confidential session.

It was resolved:

To note the report but expressing the view that the Committee was extremely anxious that the issue should be brought to a conclusion at the earliest opportunity.

288. Internal Audit Progress Report

This report which included a confidential appendix was circulated on an email to the Committee and published on the agenda page website on 20th November and. The Chairman had agreed to accept it as a late report on the following grounds:

1. Reason for lateness: the report needed to be cleared by Joint Management Team who only met on 19th November
2. Reason for urgency: To enable the Committee to be briefed on the most up to date information position on Internal Audit issues including the amended Audit Plan, outstanding management actions, progress on the Highways contract as requested at the October meeting.

The Chairman highlighted his intention to consider all the public aspects of the report first and then, if a more detailed discussion was required on the confidential appendix, the Committee would be asked to exclude the press and public.

The report detailed the main areas of audit coverage as at 6th November which as the previous update has been presented to the 30th October meeting showed little change.

It was highlighted that following the outbreak of the Pandemic, the agreed 2020/21 Audit Plan had been paused in order to fully align resources to risks being managed by the County Council, consistent with the service's Business Continuity Plan.(BCP). As a result, work in the first few months of the financial year had been more reactive to risks and emerging issues such as spend analysis and Procurement Policy Note 02/20 Supplier Relief, as detailed in paragraph 3.3.2. Although it had been a rapidly moving environment. it was reported that the Internal Audit Team was again reverting to a more structured work-plan for the remainder of the year, while highlighting that Covid-19 would continue to directly affect the focus of the work. Following the request at the last meeting, reassurance was provided that the essential area of focus would be on the key financial systems with the undertaking that these would be completed by the end of March 2020. Section 2 of the report summarised where the remaining resources had been deployed.

The original Internal Audit Plan Audit was for 1750 days, while the Plan recommended for approval at Appendix A currently stood at 2037 budgeted days of resource. The Committee was reminded that it was expected that new 'risks' would emerge throughout 'normal' yearly cycles and in the current year. Covid had impacted in a very significant way as commented by the Chairman, who had expressed surprise at the scale at 665.5 days. By regularly reporting the Plan to Joint Management Team (JMT) and Audit & Accounts Committee each quarter for challenge and direction, this helped ensure that resources continued to be targeted towards those areas of highest organisational need.

It was highlighted that only 12 audit recommendations had not been implemented with all their dates having been changed to the future. This was a good news story as it demonstrated that management took audit recommendations seriously with the Head of Internal Audit not being aware of any recommendations from the Audit reviews that had been rejected for implementation.

Section 3 of the report provided a more detailed overview of the work undertaken and attached at Appendix A was the revised proposed Plan for the remainder of the year (and slightly beyond).

Section 5 Risk Management Appendix D was a holding report to show what had been happening in the last six months. It was explained that work to refresh the Corporate and Directorate Risk Registers (DRR) had been paused following the Covid-19 Pandemic outbreak and the Corporate Risk Register (CRR) had been proactively changed to a Covid Risk Register. As the Council had moved to a more 'Business as Usual' period, Joint Management Team (JMT) had agreed in September to change the definition of Covid-19 from a risk to as a trigger reflected at the CRR and DRR level, and subject to escalation in the same way

as any other trigger. An update report on the Risk Register to be brought to the January 2020 Committee. Action Neil Hunter

In discussion issues included:

- Appendix B - Summary of Outstanding Recommendations over three months- the Chairman raised concerns regarding.
 - The Special Guardians Payments investigation – suggesting officers should exhibit caution if accusing people of fraud. He explained that he had carried out investigation work on behalf of foster carers regarding one off loyalty payments when they had been accused of fraud for receiving additional payments had had found the overpayments had been the result of other legitimate payments being coded to the same heading, as an accounting convenience. His view was that it would unfair to fine people in such cases.
 - Ely Bypass – expressed concern if there was any intention to move delegations away from Committee level.
- Appendix A Page 9 - Audit Plan - Regarding that 42 items had been removed from the Audit Plan and 27 not started, the Chairman asked that an e-mail from Internal Audit be sent to the Committee to explain how it was intended to reschedule them. He also asked that an explanation should be provided for each of the removed items to be included in the January update. This could be by a simple one line addition e.g. Moved to March 2021
Action: Neil Hunter
- Appendix A page 9 - Audit Plan - The Vice Chairman in noting how clever fraudsters could be, asked whether the reduction in the number of days from 75 to 30 was appropriate. It was explained that the update figure for November compared to the start of the Year figure represented the days still to be carried out and was on the basis that they had already undertaken approximately 45 days fraud audit work. The 75 days was a constant figure each year and if during the year there were additional referrals, they were risk assessed and if seen as an issue, more resource provided. Assurance was given that Internal Audit were very proactive in this area.

As referenced earlier by the Chairman, the last area from the Internal Audit report for discussion was with regard to paragraph 3.4 'Highways Contract Open Book Review'. It was explained that following an initial Highways Service Contract Review undertaken by Internal Audit that raised concerns around reconciliation between actual costs and payments not having been completed, Internal Audit were asked to assist the reconciliation of payments made by the Council to costs incurred by the contractor.

In February 2020 the contractor confirmed that, in validating their reconciliation they had identified a significant overpayment, which had been repaid to the Council via a credit note. The Chairman asked what period the payment covered. In reply it was explained that until full reconciliation information was provided, the Council could not accurately state what this period was, but had made clear to Skanska that accepting the payment would not prejudice the full reconciliation exercise and the open book review still to be undertaken. The contractor had given assurances that the remaining information required to complete the reconciliation (s) for the three financial years up to and including 2019/2020 would be submitted by 27th November. The Chairman requested an e-mail be sent on Monday 30th on whether the information had been received, copied to the rest of the Committee Action Neil Hunter/ Richard Lumley *(Post meeting Note: the information was received on the said date and the Chairman informed accordingly).*

At the last meeting the Committee requested that the service officers attend the current meeting and Graham Hughes Service Director for Highways and Transport and Richard Lumley Assistant Director of Highways were welcomed to the meeting to speak to their update report. This was provided as confidential Appendix C to the Internal Progress Report and whose circulation had been limited to the Committee and relevant officers.

Before consideration of the confidential appendix, Members were asked if they had any questions / issues they wished to raise which did not reveal business sensitive information.

- One Member suggested that issues with the Contract had been ongoing for the last 4-5 years. It as clarified that they were in the third year of the Contract, the reference to four years in the paragraph was an error.
- Another Member suggested that the overpayment had only been discovered when Skanska had tried to validate what the Council had paid them and that they had approached the Council when their books showed the work undertaken did not correspond to what the Council had paid under the contract. In reply it was explained that there were two control mechanisms in the contract, the first being the ‘pain and gain mechanism’. This related to the agreed terms of the contract whereby the price, which had been agreed as being value for money was used as the estimate for the cost of works carried out, with the pain and gain mechanism being explained by the officer. The pain being if the job was not carried out to specification, then penalty monies were deducted from the payment. The second was reviewing the actual costs of delivering the Contract and then comparing the figures to the payments made by the Council. It was this second phase the auditors were now pursuing.

289. Exclusion of Press and Public

It was resolved:

to agree that the press and public be excluded from the meeting on the grounds that the report contained exempt information under Paragraph 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed in discussion as it contained information relating to an individual and the financial or business affairs of any particular person (including the authority holding that information)

290. Highways Contract Confidential Appendix

Members considered the confidential appendix relating to the Highways Contract.

It was resolved to:

- a) Note the report and agree the revised Audit Plan at Appendix A.
- b) Provide a further report to the January Committee on the ongoing discussions with Skanska.
- c) To provide an email to the Chairman on whether Skanska had provided the additional financial information already requested due to be received at the end of the week.

291. Date of next meeting 2.00 p.m. 26th January 2021.

Chairman
26th January 2021

Audit and Accounts Committee: Minutes

Date: 23 December 2020

Time: 2.00p.m. – 2.35 p.m.

Place: Virtual Meeting

Committee Members Present:

Councillors: I Bates, P Hudson, M McGuire, S Kindersley, T Rogers (Vice Chairman) and M Shellens, (Chairman)

Officers Present:

Gillian Beasley – Chief Executive

Simon Goacher – Partner, Weightmans LLP

Tom Kelly Head of Finance

Christine Birchall – Head of Communications and Information
Fiona McMillan Joint Director Law and Governance and the County Council Monitoring Officer
Daniel Snowdon - Democratic Services Officer

292. Apologies for Absence Declarations of Interest

Apologies were received from Councillors Wells (Councillor Bates substituting), Williams (Councillor Kindersley substituting) and Wilson.

293. Exclusion of Press and Public

It was resolved:

To exclude the press and public from the meeting as the following agenda item contains exempt information under Paragraph 5 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed (information in respect of which a claim to legal professional privilege could be maintained in legal proceedings).

293. Farms Audit Update

Members received a report that provided an update regarding the Farms audit.

It was resolved unanimously to:

Agree the recommendations as set out in the report

291. Date of next meeting 2.00 p.m. 26th January 2021.

Chairman
26th January 2021

Audit and Accounts Committee Minutes-Action Log

This is the updated action log as 18th January 2021 and captures the actions arising from the most recent Audit and Accounts Committee meeting and updates Members on the progress on compliance in delivering the necessary actions.

Minutes of 24 th November 2020					
Minute no	Item title	Responsible officer(s)	Action	Comments	Action status
281	Statement of Accounts 2019-20: a) Asset Register System Progress Report	Tony Cooper	Tony Cooper to attend January 2021 Committee to provide an update report on the progress with the Asset Register system.	An update will be presented to the January Committee meeting.	In progress
		Councillor Shellens	The Chairman to raise continued concerns with Chairman of Commercial and Investment Committee	Concern expressed by Committee that due to the apparent lack of progress obtaining a reliable IT system, the Council could not identify all its assets accurately with the resultant continued impact on Accounts production	In progress

	c) Confirmation of length of permitted contract for External Property Valuer	Ellie Tod	The Chairman asked if the length of a contract could be confirmed outside of the meeting.	Emailed to Committee 15/01/21	Action completed.
283.	Transformation Fund Monitoring Report	James Gemmell	The Chairman requested details of how many new projects were undertaken in the last year. It was agreed that this information could be provided in an email outside of the meeting	Between January and December 2020 there were five new Transformation Fund bids which were agreed. A directory/single-view of all Transformation Fund bids which have been approved since the inception of the fund is currently being created.	Action completed.
284.	Safer Recruitment in Schools Update	Diane Stygal, Senior Leadership Advisor	In the absence of the report author the chairman raised a number of questions requesting that an email response should be provided.	The response was provided on 10 th December and is included in Appendix 1 to this Minute Action log.	Action Completed
287.	Internal Audit Progress report: a) Risk Register	Neil Hunter	A further report presented to the January Committee.	Rescheduled for the March Committee meeting.	

	b) More detail required on the 42 Items removed from the Audit Plan		Regarding the 42 items had been removed from the Audit Plan and 27 not started, Chairman requested Internal Audit email the Committee to explain how it was intended to reschedule them, and the explanation should be provided for each of the removed items in the January update. This could be by a simple one line addition e.g. Moved to March 2021		
	c) Highways Contract Reconciliation data	Neil Hunter / Richard Lumley	The contractor had given assurances that the remaining information required to complete the reconciliation (s) for the three financial years up to and including 2019/2020 would be submitted by 27 th November. The Chairman requested an e-mail be sent on Monday 30 th on whether the information had been received,	The information was received on the date stated and the Chairman informed accordingly on 30/11/20. As a result, Internal Audit would review to confirm if they had everything to enable the cost reconciliation to take place before commencing the open book review. Richard Lumley and Neil Hunter were due to meet Skanska the same afternoon to discuss the latest set of information and next steps. A further update is to be provided at the 26/01/21 meeting.	Action Completed
289.	Highways Contract Confidential Appendix	Richard Lumley Assistant Director of Highways Services	Information on the course of action if the Skanska replacement contractor was not considered appropriate.	It was agreed the information would be provided in an email outside of the meeting: email circulated 13/01/21	Completed

Minutes of 30th October 2020

273.	Whistleblowing Policy Annual Report a) Suggestions for future reports	Neil Hunter	Providing more detail in terms of the staff survey sample in terms of the number used what percentage this was of the total County Council workforce.	To be kept on log until the Annual Report was resubmitted in 2021	Action ongoing
	a) To show changes to the Policy		Request that changes should be shown using sidebars so that Members could see the changes made to the previous version.	To be kept on log until the Annual Report was resubmitted in 2021	Action ongoing
274.	Internal Audit Draft Annual Report 2019-20				
	a) National Fraud Matching Exercise	Neil Hunter	The Chairman queried whether for all the effort undertaken to detect fraud as set out in the table in paragraph 4.6.12 was worth the time and effort involved for what appeared to be relatively small savings / overpayments and whether a year off from such activity would allow resources to be re-directed to higher yielding saving areas. The suggestion would be taken back to the Counter Fraud Team.	To be included in the January 2021 Internal Audit Progress Report update	Action ongoing

	c) Para 4.7.2 - Cybersecurity and Public Sector Compliance	Neil Hunter	In reply to a query on what cyber security weaknesses had been found, details could be provided in an email outside of the meeting on the progress of the agreed actions to address the control weaknesses identified in the Cybersecurity and Public Sector compliance review as this was not appropriate to be discussed in a public meeting.	At the November meeting the Head of Internal Audit was awaiting a response from the Counter Fraud team. The response would be provided in an email	Action ongoing
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Dear Cllr Shellens

Please see below the answers to your question in green.

- Paragraph 2.2 - regarding the regular safeguarding review in schools what number of schools did this involve and how many were academies.

Approximately 90 maintained Primary schools and 20 academy schools per year.

- In respect of academies who used other providers, how did their offer differ from that provided by the Education Department.

Unable to answer this question (Note: this would be business sensitive that would not be revealed to the Council as a competitor) however I do know that many other models are purely 'compliance' checklists rather than the evaluative dialogue we have in terms of the Leadership and Management of Safeguarding.

- Paragraph 3.3 Training support and monitoring and 3.4 Safer Recruitment Training – requesting details of the numbers undertaken against the list of courses / training events and those referenced. In the latter paragraph.

- o Half-day conferences - 60 participants
- o Safer Recruitment Training – both full and refresher courses – Approximately 80 participants per term
- o Complaints and allegations training - Approximately 25 participants per term
- o Governor Services organised training and briefings for governors and Cam Clerks – over a range of different themes across the year approximately 400
- o Induction for Peterborough Schools re- Complaints Policy – 32 participants
- o Academy Schools general safeguarding training – 25 schools
- o Bespoke Training for individual Governing Bodies – 8 sessions
- o New Headteacher Induction Programme – Safer Recruitment and the Wider Safeguarding Culture – 9 new HTs this year
- o Deputy Heads Leadership Course - Policy compliance and the Wider Safeguarding Culture – 7 participants so far this year.

- On safeguarding complaints received by Ofsted as the paper stated they were rarely linked to safer recruitment and staff conduct, the Chairman asked for more detail on what did they involve.

- o Pupil Behaviour
- o Complaints of unchecked bullying
- o Parental Communications
- o Special Educational Needs provision
- o Disputes with teachers

Diana Stygal

Internal Audit Progress Report

To: Audit & Accounts Committee

Date: 26th January 2021

From: Neil Hunter, Head of Internal Audit and Risk Management

1. PURPOSE

1.1 To report on the main areas of audit coverage for the period to 6th January 2021.

2. BACKGROUND

2.1 The role of Internal Audit is to provide the Audit & 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.

2.2 Cambridgeshire County Council (CCC) Joint Management Team (JMT) considered this report on 7th January 2021 prior to its submission to the Audit & Accounts Committee on 26th January 2021.

3. RECOMMENDATION

3.1 The Committee is asked to note and comment on the report

<i>Officer contact:</i>	
Name:	Neil Hunter
Post:	Head of Internal Audit and Risk Management
Email:	Neil.Hunter@cambridgeshire.gov.uk
Tel:	01223 715317

LGSS Internal Audit & Risk Management

Cambridgeshire County Council

Update report

As at 6th January 2021

Section 1

1 INTRODUCTION

- 1.1 Following the outbreak of the Pandemic it was decided to pause the agreed 2020/21 Audit Plan and to fully align resources to risks being managed by Cambridgeshire County Council, consistent with the service's BCP. This has been achieved by increased consultation and direction by the Council's Deputy Chief Executive and Chief Financial Officer.
- 1.2 Section 2 of this report summarises where resources have been deployed to date. When the Audit Plan was paused, the business continuity arrangements dictated that the normal granularity of detail supporting resource allocation was suspended however, Section 3 of this report gives a detailed overview of the work undertaken and the current Plan for the remainder of the year (and slightly beyond) is attached at Appendix A.
- 1.3 Members will recall that there was a detailed Internal Audit and Risk Management update report presented to the 24th November 2020 Audit & Accounts Committee therefore this update only covers a period of one month.

2 INTERNAL AUDIT RESOURCES

- 2.1 As outlined above, the original 20/21 Internal Audit Plan (circa 1,750 days) was paused in accordance with business continuity procedures and the team has been deployed to the areas of greatest need.
- 2.2 In reality, the work of the team is still being significantly impacted by the rapidly changing environment and it is envisaged this will continue forward for the foreseeable future.
- 2.3 As reported and agreed at the 24th November 2020 Audit & Accounts Committee meeting, the agreed Plan recommended for approval at Appendix A currently stands at 2040 budgeted days. This allows for some flexibility should planned work need to be rescheduled due to organisational service pressures but will also ensure that the audit team has a medium term indicative plan and work-streams that will stretch into the 2021/22 financial year.
- 2.4 It is expected that new 'risks' will emerge throughout 'normal' yearly cycles and it is especially so this year. This is the reason why the Plan is submitted to JMT and the Audit & Accounts Committee, roughly, each quarter for challenge and direction, ensuring that resources are targeted towards those areas of highest organisational need. The internal audit team has regular meetings with colleagues

in the organisation and endeavours to be responsive should requests for unplanned work be made.

- 2.5 The caveat to this flexibility is that the Chief Internal Auditor must be satisfied that the work completed in the year is sufficient and appropriate to support the annual audit opinion. This year work to date is on target to ensure an evidence based opinion can be given however the key financial systems will need to be given priority in the final quarter.

3 SUMMARY OF WORK UNDERTAKEN IN THE PERIOD

3.1 Highways Contract Open Book Review

Following the initial Highways Service Contract Review undertaken by internal audit, the team was requested by the service to assist with undertaking the reconciliation of payments made by the Council to costs incurred by the contractor, in order to allow for the open book review to be undertaken by Internal Audit.

In February 2020, the contractor confirmed that in their process of validating the reconciliation, they had identified overpayments which was repaid to the Council via a credit note.

Further discussions have been escalated to Contractors Commercial Director who provided the Council with the remaining information requested by internal audit in order to complete the reconciliation(s) for the 3 financial years up to and including 2019/2020. This information identified further overpayments by the Council, to the Contractor. The Commercial Director agreed to repay this amount immediately rather than waiting for the next stage of the work to be undertaken.

The Commercial Director has also formally confirmed that the information provided to the Council reflect the Contractors actual costs, and a Mid-January start date for the next stage of this review i.e. the validation of the costs detailed, has been agreed with the service and the Contractor.

The Audit and Accounts Committee has requested that the service attend the meeting scheduled for 26th January and give an update on the latest position.

For ease, the service has requested that their update is an appendix to this report. In that it contains business sensitive information, the appendix, Appendix C, has been classed as confidential/exempt and has only been made available to the Committee. Any discussion of its detail will need to involve excluding the press and public and should be taken at the end of the item after discussions on the other sections of the report have concluded.

3.2 Internal audit continues to give the necessary independent assurances required to support grant claims. These include the programme of Troubled Family Grant claims. Also, as a consequence of the Department of Health and Social Care awarding a second Infection Control Grant with amended conditions and reporting requirements, Internal Audit has begun work to provide assurance that governance arrangements have been sufficiently modified to ensure compliance with the conditions and will undertake compliance testing between the first reporting period in November and the end of the grant period in March 2021.

3.3 Work is currently in progress on the following areas:

- Key Performance Indicators
- Key Policies
- Infection Control Grant 2
- Schools Finance Monitoring
- LGSS Law Client Side
- Treasury Management
- Accounts Payable
- Accounts Receivable
- Debt Recovery
- Community Capital Fund
- Highways Contract OBR
- Foster Overpayments recovery review
- SEND
- Daily Spend – Over £20k
- Teaching Apprenticeship Grant

4 FOLLOW UPS

- 4.1 The outstanding management actions as at 6th January 2021 are summarised in the table below, which includes a comparison with the percentage implementation from the previous report (bracketed figures).

	Category 'Essential' recommendations		Category 'Important' recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total
Implemented	0 (0)	0% (0%)	55 (51)	78.5% (81%)	55 (51)	78.5% (81%)
Actions due within last 3 months, but not implemented	0 (1)	0% (1.6 %)	2 (0)	2.9% (0%)	2 (1)	2.9% (1.6%)
Actions due over 3 months ago, but not implemented	2 (1)	2.9% (1.6%)	11 (10)	15.7% (15.8%)	13 (11)	18.6% (17.4%)
Totals	2		68		70	

- 4.2 There are currently 15 management actions outstanding. Further detail on all outstanding actions is provided at Appendix B.

5 NATIONAL FRAUD INITIATIVE - background and mandatory participation

- 5.1 The National Fraud Initiative (NFI) has operated since 1996 and is currently administered by the Cabinet Office. The NFI data matching exercise involves analysing and matching data sets across, and between, various organisations and includes participants in both the public and private sectors. The exercise operates on a two year cycle whereby in year 1 the data sets are submitted and in year 2 the data matches are analysed and investigated.
- 5.2 Under the Local Audit & Accountability Act 2014 (schedule 9), local authorities are mandatory participants in the NFI for the purposes of:

- Assisting in the prevention and detection of fraud,
- Assisting in the prevention and detection of errors and inaccuracies, and
- Assisting in recovery of debt owing to public authorities.

5.3 From 2020, the Cabinet Office are exercising the right to charge a penalty fee (£190) to any local authorities who fail to submit their data in line with the specified timetable and quality standards.

5.4 The data sets submitted by CCC for matching include those relating to the following key risk areas:

- Trade creditors;
- Payroll;
- Pensions;
- Blue badges;
- Private residential care homes;
- Concessionary travel; and
- Personal budgets.

5.5 There are a comprehensive range of data matches, with further matches often being trialled to make the best possible use of the information available. Some of the key matches include, for example:

- Individuals on the payroll who are also directors of an organisation to whom the Council has paid invoices;
- Personal budgets relating to individuals who had deceased;
- Duplicate invoices; and
- Active blue badges assigned to individuals who had deceased.

5.6 Costs and benefits - the participation fee charged to the Council is in line with that charged to all county councils. The table below sets out the costs and benefits recorded in relation to the last completed NFI data matching round (relating to data uploaded in 2018).

	£	£
Standard fee		(3,750.00)
Resource cost (average of 23 audit days over each two year cycle)		
Monies recovered		
Payroll	12,744.86	
Pensions	1,821.63	
Personal budgets	6,346.67	
Total monies recovered		20,913.16
Notional savings		

Blue badges	147,775.00	
		147,775.00

- 5.7 The notional savings are based on values assigned by the Cabinet Office on the estimated financial savings associated with the recovery of blue badges. This is based on estimated use of fraudulent blue badges where the genuine holder had deceased. It should be noted that the Counter Fraud team are also actively working with the Council's Blue Badge team throughout the year and have successfully secured a number of prosecutions against those misusing this valuable scheme.
- 5.8 Non-financial benefits - Participation supports the reputation and accountability of the authority, assisting other organisations as well as the Council in identifying indicators of fraud or error which could result in recovery, or savings, of public money. This supports the Council's zero tolerance to fraud and corruption and the promotion of the exercise should further act as a deterrent to those considering attempting fraud against the organisation.
- 5.9 The NFI data matching is well established and acts as the safest, regulated way of data matching recommended across the public sector.

6 *RISK MANAGEMENT*

- 6.1 Work to refresh the CRR and DRR's was undertaken at the start of 2020, however this work was paused following the outbreak of the Covid-19 pandemic. At this point, JMT Gold requested that a separate risk register was created to ensure full visibility of this new and rapidly changing trigger. In order to develop this risk register in a time efficient way, there was positive, proactive input from JMT Gold, risk owners and other key officers as appropriate, and once the risk register was developed there was a clear and regular update and reporting process to incorporate emerging risks and triggers into the register, in order to allow for proportionate action plans and then controls to be developed.
- 6.2 In September 2020, as the Council moved to a more BAU period, a further paper on risk management was presented to JMT Gold which determined that Covid-19 is better, going forward, treated as a trigger, and reflected at the CRR and DRR level, and subject to escalation in the same way as any other trigger. It was agreed at this point that the CRR was in need of a refresh and re-focus to ensure it has captured the correct risks and triggers as well as confirming that the controls in place and agreed action plans/target dates are proportionate. This refresh is essential to give an assurance that the CRR remains an effective tool to support JMT Gold in managing organisational risk.
- 6.3 There has been positive input and involvement in this process from directorates and CRR risk owners. However, given the current operational pressures and the

fact that corporate risk owners are JMT Gold members, the CRR is not yet ready to be presented to this Committee.

- 6.4 Reassurance can be given to the Committee that there is a fortnightly standing agenda item on JMT Gold to ensure that risks can be escalated.

7. *FARMS AUDIT UPDATE FOLLOWING THE COMMITTEE MEETING ON 23RD DECEMBER 2020*

- 7.1 Members are asked to note the progress of the work being done to complete this audit.
- 7.2 Background and progress - At the last meeting of this committee, it was noted that an appointment of an independent audit firm was being progressed to finish this audit. Following a competitive process, on 23 December 2020, Mazars LLP were appointed to complete the audit. Mazars are an international firm, and a UK top 10 accountancy and business assurance practice. This assignment is being handled by the company's investigations team, and the firm has wider relevant expertise as the appointed external auditor for more than 50 local authorities elsewhere in England, as well as in real estate matters.
- 7.3 Between 30 December 2021 and 5 January 2021, following initial liaison, adherence to data sharing protocols, and conflict of interest checks by the firm, Mazars were sent all of the papers which had been provided to the Chief Executive by the Chief Internal Auditor.
- 7.4 On 4th January 2021, Officers met with Mazars to discuss their approach to the audit and to provide practical support and contacts for any issues which they required support for. The Chairman of this committee met with them initially on 4th January to express the importance of the audit and the need for its timely completion in line with the brief given to the auditors.
- 7.5 Since that time there have been a number of meetings with officers and others including the Chief Executive to enable Mazars to complete this audit. Any request for information has been responded to immediately. The audit team from Mazars have also requested a number of additional meetings with individuals, in order that they can complete sufficient assurance procedures for their own part and from a professional perspective
- 7.6 Further meetings are being held this week to finalise the timetable for this audit to be completed and for a decision to be taken by this committee on the date that will be set for this audit to be received and considered by the committee. The committee will be updated at this meeting.

Appendix A

Internal Audit Plan 2020/21

Progress to date with the Internal Audit Plan 2020/21, on the basis of individual reviews completed, is summarised as follows:

Audit Plan Progress In-Year		
Total Completed & Closed Reviews	25	27.5%
Ongoing Work (i.e. which will not 'close' until the end of the financial year)	15	16.5%
Draft Report Issued	7	7.7%
Audit Plan Completion (to draft report or further)	51.7%	
Fieldwork In Progress	20	21.9%
Not Started	24	26.4%
<i>FYI: Audits Removed From Plan & Replaced (i.e. in-year turnover of the Plan)</i>	43	48.3%

Detail of the full Internal Audit Plan 2020/21, including progress to date, is provided below:

JOB TITLE	JOB STATUS
<i>Urgent Covid-19 Related Work (to July 31st 2020)</i>	
Covid-19 20/21 Audit work	Completed
Covid-19 Redeployment	Completed
AP-GPC (Purchases) Spend Analysis	Completed
Payroll Spend Analysis	Completed
EYC Framework & Panels	Completed
PPN Set up	Completed
PPN 02-20	Completed
Covid-19 20-21 – EY	Completed
Payments over £20k	Draft Report Issued
<i>Key Emerging Risks Audit: JMT/Director/HOF/CIA work requested in year</i>	
Dark Web Emails	Completed
Farms Audit	Ongoing
Procurement Waivers	Completed
Wisbech Access Strategy	Draft Report Issued
Lancaster Way	Draft Report Issued
Fendon Road Roundabout	Draft Report Issued
Chisholm Trail	Draft Report Issued

Capital Programme Governance	Draft Report Issued
School Audit	Fieldwork In Progress
Fostering Overpayment Investigation	Completed
Less than best process and rent reviews	Completed
King's Dyke Tender	Completed
PFI Rebate	Completed
Foster overpayments recovery work	Fieldwork In Progress
SEND	Fieldwork In Progress
County Farm processes and procedures	Draft Report Issued
Infection control grant tranche 1	Completed
Infection control grant tranche 2	Fieldwork In Progress
Test Track and trace grant	Fieldwork In Progress
Community Capital Fund	Fieldwork In Progress
Blue Badges	Completed
Feeder systems	Fieldwork In Progress
Covid-19 Risk Management	Completed
Investigations General	Ongoing
Blue Badges	Ongoing
Concessionary Travel Passes	Ongoing
NFI	Ongoing
Cambridgeshire Music	Completed
Sustainability Grant Panel	Ongoing
Value For Money (inc. Project Management)	
Embedding Project Assurance Framework	Fieldwork In Progress
Project Assurance of High Risk Projects	Fieldwork In Progress
Energy Programme	(NEW) Not Started
Grants and Other Head of Audit Assurances	
Local Transport Capital Block Funding	Completed
Bus Service Operators	Completed
Troubled Families Grant	Ongoing
Disabled Facilities Grant	Completed
Pothole Action Fund	Completed
DWP - Winter Support	(NEW) Not Started
General Contingency	(NEW) Not Started
Free School Meal Governance	Completed
Teaching Apprenticeship Grant	Fieldwork in Progress

Anti-Fraud and Corruption	
Fraud Investigations	Ongoing
Key Financial Systems	
Accounts Receivable	Fieldwork In Progress
Purchase to Pay	Fieldwork In Progress
Payroll	Not Started
General Ledger	Not Started
Bank Reconciliation	Not Started
Treasury Management	Fieldwork In Progress
VAT	Not Started
Financial Systems IT General Controls	Not Started
Debt Recovery	Fieldwork In Progress
Pensions	Not Started
Commissioning & Contracts	
Highways Contract Open Book Review	Fieldwork In Progress
Contract Management - Provision of Community Equipment Services	Not Started
Contract Management - Integrated Drug and Alcohol Treatment System	Not Started
Light Blue Fiber	Completed
Contract Management – CCS & Healthy Child Provision	Not Started
Open Book Review of COVID-19 Claims	(NEW) Not Started
Key Organisational Risks & Director Requests	
Schools Capital Project Variations and Overspends	Not Started
LGSS Law	Fieldwork In Progress
This Land Ltd	Completed
DSG - data integrity, eligibility & evidence (other req)	Fieldwork In Progress
Less than best process and rent reviews - Follow Up	(NEW) Not Started
Compliance - Key Policies and Procedures	
Financial Assessments Compliance	Fieldwork In Progress

Direct Payments Compliance - Adults	Not Started
ICT and Information Governance	
Information Technology Audit Plan	Not Started
Information Management Board	Not Started
Strategic Risk Management	
Annual Assurance on Risk Management	Not Started
Risk Management	Ongoing
Strategic Risk Management Assurances	Not Started
Compliance - Corporate and Key Directorate Risks	Not Started
Governance and Assurance	
Annual Governance Statement/Code of Corporate Governance	Not Started
Corporate Key Performance Indicator Framework	Fieldwork In Progress
Annual Key Policies & Procedures Review	Fieldwork In Progress
Equality Impact Assessments Compliance	Not Started
Schools Payroll and Safe Recruitment	Not Started
Advice & Guidance	
Advice & Guidance	Ongoing
Freedom of Information Requests	Ongoing
Follow-Ups of Agreed Actions	Ongoing
Reporting	
Committee Reporting	Ongoing
Management Reporting	Ongoing
Audit Plan	Ongoing
FOR INFORMATION: Audits Removed From 2020/21 Plan (To Date)	
Investment Properties	Removed
Additional Highways Maintenance Grant	Removed
Flood Resilience Fund	Removed

Cambridgeshire Challenge Fund	Removed
Cycle City Phase II	Removed
SWIM Grant	Removed
National Productivity Fund	Removed
Safer Roads Funding	Removed
Broadband Grant	Removed
High Needs Block (Dedicated Schools Grant)	Removed
Procurement Governance	Removed
Most Economically Advantageous Tenders	Removed
Waste PFI Open Book Review	Removed
Street Lighting PFI Open Book Review	Removed
Contract Management - Cambridgeshire Energy Performance Contracting Project	Removed
Contract Management - Minor Works Framework	Removed
Contract Management - Residential & Short Break Care for Children and Young People with a Disability	Removed
Contract Management - Public Transport, Park & Ride, and Guided Busway Contract	Removed
Adults Social Care Commissioning Strategies	Removed
New Schools Building PFI	Removed
Rental Income	Removed
Loans to External Organisations	Removed
Capital Strategy	Removed
Adult Skills	Removed
Contingency for emerging areas during the year	Removed
Annual Safeguarding Assurance	Removed
Adult Social Care Finance	Removed
Safeguarding the Assets of Clients in External Establishments	Removed
Cambridgeshire County Council Client Monitoring Arrangements for This Land Ltd	Removed
Recruitment Processes in Children's Social Care	Removed
Implementation of Liberty Protection Safeguards	Removed
Social Care Transitions	Removed
Other People & Communities Risk Based Audits	Removed
Key Performance Indicators	Removed
Grants to Voluntary Organisations Policy Compliance	Removed
Health, Safety & Wellbeing Policy Compliance	Removed

Procurement Compliance	Removed
Unannounced Visits	Removed
Fees and Charges Policy & Compliance	Removed
Schools Causing Concern	Removed
CIPFA Financial Management code	Removed
Contingency	Removed
Annual Whistleblowing Policy Report and Awareness	Removed
Operational Plan 2020/21	

APPENDIX B

Summary of Outstanding Recommendations – under 3 months

(Recommendations due as at January 6th 2021).

Audit	Risk level	Summary of Recommendation	Target Date	Status
GDPR	I	ICT Disaster Recovery Plan is not documented: DPO to liaise with LGSS IT to confirm that an action plan is in place to ensure the DRP is documented with an agreed target date. The DPO should monitor progress against this plan and report any significant delays to the SIRO and JMT.	31/12/20	<p>The new draft disaster recovery plan has been circulated within IT for comment and work is progressing to finalise this, although this is being done with the understanding that the document will be subject to regular review and revision over the next 6-12 months as part of the data centre move. The draft document is in use and has been used in 3 successful IT tests and there is a business test planned for 7th Feb for the department to check access in preparation for the Data Centre move. The disaster recovery process is part of the wider Data Centre move programme governance.</p> <p>Revised target date: 1st March 2021.</p>
Accounts Payable	I	Supplier Amendment: A review of supplier classification and set up in ERP Gold should be undertaken with the desired outcome to ensure that only individuals such as care customers are classified as non-commercial suppliers in the system.	31/12/20	<p>Progress on this action was delayed due to a change freeze in ERP Gold. Internal Audit have confirmed that in the interim improved manual procedures around supplier amendments have been put in place to further mitigate the risk of bank mandate fraud.</p> <p>Revised target date: 30th April 2021</p>

Summary of Outstanding Recommendations – over 3 months

(Recommendations due as at January 6th 2021).

Audit	Risk level	Summary of Recommendation	Target Date	Status
Special Guardian Payments Investigation	E	<p>The overpayment should be recovered: The service should contact the family by letter requesting repayment of the full amount paid. This letter should include:</p> <ul style="list-style-type: none"> • An itemised summary of payments made to them in error; • An offer to discuss repayment through a payment plan; and • A reminder that they should notify the service in respect of any error payments in the future; 	31/07/20	<p>Meetings have taken place with the Special Guardianship Order carers. These have identified the need for further work to understand the extent of actual debts.</p> <p>The overpayment relates to a female child and the payments were for the period 2017-2020. The child had returned to the care of the mother during that time. However, it is now clear that the carers also provided care to a male child during this period and may have been entitled to an allowance for their care. It is possible that the allowances paid for the male child were wrongly badged to the female child.</p> <p>The responsible head of service is continuing to seek to resolve this issue, and clarity about the outcome is expected by the end of February 2021.</p> <p>Revised target date: 28th February 2021</p>
Special Guardian Payments Investigation	E	<p>The overpayment should be recovered: Internal Audit suggest the case is referred to the police to be investigated formally alongside internal steps to recover the amounts as above. A formal request for monies owed via standard recovery processes should not impact a police referral.</p>	31/08/20	<p>Once further work has been undertaken (see above) the service will make a decision whether to refer to the police. This approach has been agreed with the Service Director of Children's Services.</p> <p>Revised target date: 28th February 2021</p>

Fostering Contract Management 18/19	I	<p>Double paying for home-to-school transport: Establish a suitable fee reduction to ensure travel costs are not paid for twice, and publish this clearly as part of fee negotiation guidance. Before negotiations for a contract start, it should be fully established whether the child is eligible under the home to-school transport assistance policy and the fee reduction should be agreed accordingly. Guidance should be updated to state that every contract should include a note re: how Home to School transport and transport to contacts is funded, and that this should also be noted on the placement plan.</p> <p>Given the values involved, consideration should be given to calculating the potential over payments made in previous years to inform a decision as to whether or not these sums should be recovered.</p>	01/10/19	<p>The service has reported progress encompassing the two elements:</p> <ol style="list-style-type: none"> 1) Review of previous placements where CYP access home to school transport 2) Ensuring that processes are in place to ensure that negotiated fees are arranged for placements going forward. <p>The first element has been delayed due to Covid19. An up-to-date list has been requested from the Home to School Transport team and it is expected that this review will be completed by March 2021 (in anticipation of some complex negotiations).</p> <p>Regarding the second element, a new process has been implemented to ensure that negotiated fees for home to school transport are managed on a case-by-case basis as a 'blanket approach' would not be appropriate given the complexities of individual cases.</p> <p>Revised target date: 31st March 2021</p>
Fostering Contract Management	I	<p>No control process to identify errors in in-house payments: Create a payment policy document that clearly sets out the different scenarios that occur and how they are paid for, such as: respite breaks, children going to university, level 6 carers with a staying put placement etc. Include details about IFA carers transferring to in-house, and the fee agreements relating to children already in place.</p>	01/07/19	<p>This activity has now broadened resulting from the decision to align CCC and PCC fostering services into a new shared Fostering Service. The service has identified 18 areas which they are reviewing with Finance Business Partners to see whether adjustments and alignments can be made between the Councils.</p> <p>The service aimed to have the majority of this work completed by 1st December 2020 but a consultation with Foster Carers at both CCC and PCC will need to be undertaken with implementation of any revised payment agreement in the new financial year.</p> <p>The service had drafted a policy document for CCC and are looking at how they can align across both councils.</p>

				Revised target date: 1 st April 2021
Transport Contract Management	I	<p>Financial processes: A full financial processes review should be conducted by the SETT in conjunction with the Professional Finance team. This should include immediately ensuring that payments made via interface spreadsheet are linked to a SWIFT ID or other relevant identifier. The review should also ensure that interface payments are being used in the most efficient manner, reducing the amount of duplicate entry required and the risk of human error occurring in the payments.</p> <p>And in the longer term:</p> <ul style="list-style-type: none"> • Developing a new commitment record spreadsheet for adults and LAC transport, which contains all journeys and client information. • Reinstating the use of Purchase Orders and receipting for the payment of all SETT invoices, in line with the Scheme of Financial Management. 	31/07/19	<p>The review has grown in scope from that originally envisaged by the audit. The service confirmed that the Children in Care Transport payments are now entered with a “job number” reference which ties the payment to a specific journey.</p> <p>The commitment record is still work in progress – a more comprehensive/user friendly spreadsheet of routes and costs is now in place, but further work is required. Dealing with social distance transport requirements has had an impact on the services operations and priorities so this work has been delayed.</p> <p>Revised target date: 31st January 2021</p>
18/19 Ely Bypass Review	I	<p>Limits on Delegated Authority: Consideration should be given to whether the Constitution should be adapted to incorporate limits to delegating authority away from Committees, particularly when there are significant financial implications.</p>	31/10/19	<p>Previous update from the service was that they were looking at delegated authorities and how the various levels might best work and that a paper was being developed for consideration.</p> <p>No update has been received for this reporting period so no revised target date can be provided.</p> <p>Revised target date: 30th April 2021</p>
19/20 Fire Safety Checks	I	<p>There is not an adequate process for recording and monitoring remedial actions: The Head of Property should ensure that a new central, overarching process is developed to ensure all remedial actions recommended in FRA's are recorded and monitored in detail, including:</p>	31/12/19	<p>The implementation of this action was delayed due to officers in the service being committed to priority Covid-19 Risk Assessment works throughout the Authority. Progress has now been made with some further work needed to fully implement the recommendation. Internal Audit will</p>

		<ul style="list-style-type: none"> • The exact nature of the action required • The priority/risk rating of the action • The date the FRA was completed • The date implementation is required • Who is assigned to undertake the required action e.g. external contractor or internal team/officer. • Responsibility for this new process should be clearly assigned to a specific officer. <p>It would also assist in timely implementation of actions if who needs to be engaged to undertake the required work was also recorded against each action e.g. external contractor or internal team.</p> <p>The new process should include close liaison with the Compliance Team and regular checks should be conducted to ensure all actions from FRA's have been recorded.</p> <p>The Compliance Team currently record all actions from the FRA they have undertaken in detail and this spreadsheet should be useful in developing the new process.</p> <p>In addition, the Head of Property should investigate whether there are any value for money software solutions that would provide a robust and efficient tool for managing FRA's and the implementation of remedial actions that could be utilised by both the Compliance Team and Facilities Management.</p>		<p>review the amended process in January.</p> <p>Revised target date: 31st December 2020</p>
19/20 Fire Safety Checks	I	<p>Detail on FRA's remedial actions and implementation are not reported:</p> <p>Detailed information on remedial actions and implementation of those actions should be reported to the Head of Property on a regular basis. Monitoring recommended at 4.2 would support this reporting.</p> <p>The Head of Property to formally ask HASCAM, the Strategic Health, Safety and Wellbeing Group, the Corporate Health Safety and Wellbeing Group and the Section 151 Officer if they also require this information to</p>	31/12/19	<p>The implementation of this action was delayed due to officers in the service being committed to priority Covid-19 Risk Assessment works throughout the Authority.</p> <p>The Service plans to report to the Chief Finance Officer and the Assistant Director on at least a quarterly basis. Weekly meetings will be re-instated with the Property and Compliance Teams. A training session is being organised on the new process. A separate inbox will be</p>

		allow for independent monitoring and challenge and highlight any significant risks identified from FRAs.		created to make sure that the Fire Risk Assessments are picked up by the appropriate team (the only caveat on this will be if that is viable from an IT perspective). Revised target date: 31 st March 2021
P&E Cost Recovery	I	<p>Time Recording Software: The exercise to procure time recording software should be pursued as a matter of priority to ensure an efficient time recording system is in place to underpin a robust and consistent cost recovery process across Infrastructure and Growth. The software should be able to:</p> <ul style="list-style-type: none"> • Apply different staff rates, including overheads and risk percentages, for each project. • Automatically calculate staff costs for each project based on the applied rates. • Interface with/upload data to ERP Gold to provide an efficient way of updating project ledgers with staff costs. <p>This would also support an efficient way of raising accurate invoices to external organisation direct from ERP Gold rather than multiple complex spreadsheets. The software should also be user friendly and simple for staff to use and provide management reporting.</p>	31/03/20	<p>The service has confirmed that due to impact of Covid19 on the service (and IT having to divert their resources into higher priority projects) this project has not been progressed.</p> <p>Revised target date: 31st March 2021</p>
Direct Payments	I	<p>Clawback of Overpayments on Direct Payment: In line with the procedure undertaken when recovering underspent or overpaid personal budgets for children, clawback of underspent or overpaid monies is conducted by netting off the amount to be recovered against future payments. This will reduce the amount of money that is due back to the Council that is not returned. Internal Audit's understanding is that this is the process in place for Children's Services and so conversations should be held with key officer's to understand how to apply this system to the Adult's Service.</p>	30/06/20	<p>The service is investigating whether this can be managed via the Mosaic system as an automated clawback function. The service reports that Covid19 events has delayed the required analysis and testing in Mosaic. The service aims to address this recommendation as part of Mosaic finance review project.</p> <p>Revised target date: 31st March 2021</p>

Cyber Security	I	<p>Cyber Security Policy:</p> <p>The Council should develop a Cyber Security Policy. This should outline the Councils approved approaches to cyber security, its ongoing security control framework and how it safeguards the Council from the threat of cyber-attacks. It should also provide an overarching governance policy for the protection and security of Council information and data.</p>	30/07/20	<p>CCC have recruited a technical Cyber Security Manager who working with the HOS in both authorities to be the SPOC for cyber related threats and shared between authorities.</p> <p>A cyber security board has been formed that feeds into the information management board.</p> <p>As part of this work a cyber-security dashboard has been produced and shared with JMT along with a clear action plan.</p> <p>Revised target date: 30th June 2021</p>
Cyber Security	I	<p>Cyber Security Risk Statement:</p> <p>At the time of our review the Council did not have a risk appetite statement relating to cyber security.</p>	30/07/20	<p>Risks are continually reviewed in relation to threats. An improvement plan has been developed with timelines and the action plan is owned by the new cyber security board. Further work needed including review by information management board.</p> <p>Revised target date: 30th June 2021</p>

Debt Management Update

To: Audit and Accounts Committee

Meeting Date: 26th January 2021

From: Head of Finance Operations – Lead Authority Cambridgeshire County Council

Electoral division(s): All

Purpose: Debt Collection Update

Key Issues: The Committee were seeking quarterly updates on the progress of Debt Management

Recommendation: The Committee is asked to:

- a) Note the actions and approach being taken to manage income collection and debt recovery
- b) Agree that a further update will be provided on the position at the end of Q1 2021/22

Officer contact:

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1. Background

- 1.1 The purpose of this report is to provide an update on current Debt position following on from previous reports submitted in January and September 2020.
- 1.2 Following the disaggregation of LGSS, there have been changes in the Management Structure, with the Debt Team now within the Finance Operations Function (Lead Authority Cambridgeshire County Council) under the leadership of Alison Balcombe, the Head of Finance Operations. This means that for the first time since 2010, Debt Management is now within the management purview of the CCC Chief Finance Officer. As a result of these management changes, this paper also outlines areas for improvement and actions taken to date.

2. Performance

2.1 Overall Debt position

The table below outlines the current debt position as at the 1 December 2020 currently managed within the Debt Team, therefore the table currently excludes Cambridgeshire and Peterborough NHS CCG Debt (£5.42m) in line with the previous reports presented at the Audit Committee.

Overall debt managed by the Debt Team is £16.96m

	Total Overdue (1 Dec 2020) £m	Pre 18/19 Overdue Debt £m	Post 18/19 Overdue Debt £m
Total Overdue Debt with Debt Team	16.96	2.95	14.01
Write offs – to be processed	-0.11	-0.06	-0.05
Unallocated Credit Notes	-0.21	-0.03	-0.18
Secured via instalments	-1.59	-0.91	-0.68
Secured against a property	-0.17	-0.17	-0.00
Service area disputed - payment delay (a)	-1.62	-0.43	-1.19
Debt in recovery process	13.26	1.35	11.91

Note (a) – this total relates to invoices that have been disputed by the customer and are currently under investigation. Debt recovery is suspended whilst the items are being investigated.

2.2 CCG Update

Nearly all of this debt is for invoices for care package costs for named social care service-users or NHS patients.

- Pre-2018/19 - £3.3m
- 2018/19 and later - £2.3m

The current outstanding debt position with the CCG is approximately £5.6m, of which 87% relates to previous financial years.

Of the total debt value, 48% relates to historic payments of Funded Nursing Care that are due to the Council based on people placed in nursing homes, for who the Council paid statutory FNC amounts on behalf of the NHS. The remainder mostly relates to split-funded care, or Continuing Healthcare reimbursements where a social care service-user has been assessed as needing ongoing healthcare dated from the point of initial assessment.

The previous update on CCG debt in September 2020 showed a total debt position of £6.1m. Since then, progress has been made clearing some specific aged debt, mainly around section 117 mental health aftercare which has now mostly been cleared. Additional 2020/21 debt has partly offset these payments, however.

Work is ongoing with the CCG Finance team to clear historic debt, including fortnightly escalation calls to work through key issues, and we expect significant movement before year-end.

2.3 Collection Rates

The following tables outline the current year to date and 2019/20 collection rates:

Collection summary 2019/20 v 2020/21

Value	Total 2019/20	Total 2020/21 – YTD
Invoiced (£m)	171	103.11
Collected (£m)	166.09	93.57
In Year Collection	97%	91%
Volume		
No. of invoices issued	68,929	42,731
No. of Invoices cleared	65,265	37,488
Collection Rate by volume	95%	88%

There is a 6% variance in the value from prior year to current year. There have been impacts on debt collection due to Covid-19, particularly as there was a decision to suspend recovery letters between 20/03/2020 and 01/07/2020.

Further analysis is required to ascertain the full impact of the pandemic. There are

assumptions that individual debtors financial situations may have been affected their ability to pay invoices, and further work is required to substantiate this.

Collection rates – April 2020 to 1 December 2020

Value	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Invoiced (£m)	10.69	3.83	20.59	8.55	18.07	12.16	20.38	8.84
Collected (£m)	9.97	3.59	19.72	7.17	17.08	11.54	17.84	6.69
In Year Collection	93%	94%	96%	84%	95%	95%	88%	76%
Volume								
No. of invoices issued	5,468	889	4,528	8,299	5,689	4,946	6,501	6,821
No. of Invoices cleared	4,975	828	4,034	7,628	5,065	4,722	5,531	5,370
In Year Collection Rate by volume	91%	93%	89%	92%	89%	95%	85%	79%

Collection % has dropped since September 2020, whilst we anticipate this is the mid-term effect of Covid-19 on customers, analysis is currently being performed to understand overall performance.

Collection rates – 2019/20

Value	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Invoiced (£m)	21.81	4.44	16.01	8.07	4.8	7.68	19.9	19.69	6.44	18.66	14.23	28.65
Collected (£m)	21.63	4.39	15.82	8.28	4.63	7.42	19.55	19.21	6.25	18	13.78	27.12
In Year Collection	99%	99%	99%	103%	96%	97%	98%	98%	97%	96%	97%	95%
Volume												
No. of invoices	4,998	5,383	7,477	5,492	4,291	4,946	4,601	6,857	4,375	9,070	6,293	5,146
No. of Invoices	4,842	5,241	7,241	5,234	4,103	4,722	4,373	6,444	4,138	8,380	5,874	4,673
Collection Rate by	97%	97%	97%	95%	96%	95%	95%	94%	95%	92%	93%	91%

2.4 Overall Debt movement

The following table outlines the movement in Debt since 1st March 2019 to date.

Overdue Debt £m							
	1-30 days	31-90 days	91-183 days	184-365 days	366-730 days	Over 730 days	Total
01/03/2019	12.01	2.72	3.05	4.97	3.63	1.77	28.15
01/10/2019	2.20	1.64	2.21	2.89	6.26	1.73	16.93
01/01/2020	12.22	2.42	2.19	2.6	5.53	1.88	26.84
01/04/2020	2.75	2.40	2.36	2.31	5.40	1.68	16.9
01/09/2020	2.43	3.19	4.50	3.20	3.47	4.59	21.38
01/12/2020	4.05	3.24	3.27	3.42	1.12	5.62	20.72
Movement	-7.96	0.52	0.22	-1.55	-2.51	3.85	-7.43

Whilst the debt has decreased by £7.43m, analysis is required to understand if this a result of debt recovery action or decreased invoicing.

2.5 Movement in unpaid invoices

The table below outlines the aged profile of debt from 1 March 2019 to 1 December 2020 and demonstrates that aged debt continues to be actioned.

	Not Yet Due £m	Overdue Debt £m						
Balance at	0 days	1-30 days	31-90 days	91-183 days	184-365 days	366-730 days	Over-730 days	Total
01/03/2019	7.38	12.01	2.72	3.05	4.97	3.63	1.77	35.53
01/10/2019	0.90	0.40	0.39	1.71	3.83	2.43	1.18	10.84
01/01/2020	0.51	0.26	0.33	1.54	3.60	2.30	1.04	9.58
01/09/2020	0.29	0.23	0.23	1.39	3.19	0.89	0.73	6.95
01/12/2020	0.24	0.20	0.22	1.09	3.17	0.51	0.68	6.11
Movement	-7.14	-11.81	-2.50	-1.96	-1.80	-3.12	-1.09	-29.42

2.6 Income Processing

The table below outlines the value and volume of unallocated income, where there has been a significant improvement since the service moved into Finance Operations in March 2019.

Value £m	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
Income Suspense Account*	0.61	0.5	0.66	0.44	0.94	2.77	0.38	0.54	7.13	0.3	1.16	3.14	0.29
Direct Banking Suspense Account**	0.21	0.21	0.22	0.09	0.08	0.05	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Total	0.82	0.71	0.88	0.53	1.02	2.82	0.40	0.56	7.15	0.32	1.18	3.16	0.31
Volume													
Income Suspense Account	403	347	383	247	275	274	154	139	135	112	129	117	108
Direct Banking Suspense Account	247	219	308	140	136	80	36	31	27	24	27	29	28
Total	650	566	691	387	411	354	190	170	162	136	156	146	136

* - Invoiced and non-invoiced Income received via BACs

** - Non-invoiced Income banked by services such as Libraries, transport, Registrars etc

3. Service Improvements

Since the service moved into Finance Operations team on the 1 December, there have been a number of areas identified for improvement.

3.1 Actions Implemented to date

There have been a number of actions implemented since the Management change, including:

3.1.1 Billing address accuracy

Following an initial review of customers, it was identified that a number of key customers billing addresses were incorrect, primarily local NHS Trusts who use Shared Business Services (SBS) as their service provider. The invoice addresses did not meet SBS business roles and were subsequently rejected (primarily where invoices were addressed directly to departments and not the central invoicing team). These records have subsequently been amended to the correct invoicing address. Further work is required in this area for the remainder of the customer base.

3.1.2 Review of granular data within aged creditors

Reports are being established where the granular data of the aged debtors is reviewed in detail and shared with Finance Business Partners. This report is a work in progress and provides transparency and key areas of risk and opportunity.

3.1.3 Engagement with Finance Business Partners and key Service Areas

Within Accounts Payable and Income, there are established Service Review meetings, which have successfully improved performance and reduced aged creditors and unallocated income. We held the first Service Review on the 7 January where the aged debt granular data was presented to Finance Business Partners. Key agenda items discussed are; overall debt position, top debts (Sundry and Adult Social Care) and proposed write offs.

The transparent sharing of data is essential to drive performance and working collaboratively with not only Finance but service areas should support the improvement of the current debt position.

Service Review meetings have been scheduled with Adult Social Care to ensure that all areas within the Debt cycle are working collaboratively. Aged Debt reports will be circulated to Adults Finance on a regular basis to ensure they have full visibility of their debt.

3.1.4 Workshops

To inform and support a robust service improvement plan a series of workshops will be held with key service areas, including Adults and Finance Business Partners. The workshop was held with Finance Business Partners on 8 January 2021, where 22 actions have been agreed to support the delivery of the Service Improvement Plan.

3.1.5 Review of resource and staff structures

It has been identified that the current staffing establishment is under resourced following structural changes in December 2019. This resulted in the Debt team being short of two full time equivalent staff that were originally budgeted in the structure. As an interim, a temporary resource will be recruited, until we are able to better understand resourcing requirements.

Since the team have been remote working we have lost the visibility of the team that an office presence gives. We are working with the CCC telephony team in IT to implement call reporting to enable effective management of in and outbound productivity, which we hope, will include log in and log out times. Until there has been scrutiny on performance, we are unable to fully define our resource requirements.

3.2 Future Service Improvements

As a result of the work we have completed in the first month, we have identified a number of improvements that we will continue to work to deliver and update in future committee meetings, these include:

3.2.1 Communication and reporting

We will be reviewing and improving how and what we communicate with requisitioners, budget managers, Finance Business Partners and the S151 officer to instil more preventative and proactive debt management practices. Improved web content will be published that will provide customers with the debt management journey, the responsibilities of key roles within the journey and key contacts. We will also be working with Finance Business Partners on targeted education of 'repeat offenders' (for example budget holders who are not obtaining a PO prior to raising an invoice).

We are assessing the effectiveness of the reporting we produce with the aim of providing more meaningful, granular data behind the headlines. The production of monthly reports will be aligned to the budget-monitoring schedule to better support finance managers.

Greater analysis of our data is required to identify trends earlier and any preventative measures to include, improved understand of issues by age, customer and value.

3.2.2 Performance

We are assessing performance to identify how we can better measure our success. Clarity is required to understand whether our month on month, year on year performance is better/worse because of the volume of invoices as opposed to values outstanding. We will be baselining performance based on a single division and monitor those transactions to track performance.

3.2.3 Billing accuracy

While we have performed a basic level of cleansing with the customer addresses, further cleansing of the customer database is required to reduce preventable issues.

Financial reporting and related matters update

To: Audit & Accounts Committee

Meeting Date: 26 January 2021

From: Deputy Chief Executive & Chief Finance Officer

Electoral division(s): All

Forward Plan ref: Not applicable

Key decision: No

Outcome: That the Committee is appraised of the progress with the Statement of Accounts for the year ending 31 March 2020, preparations for the year-end process for 2020-21, national updates and context and other connected matters.

Recommendation: Audit and Accounts Committee is invited to note this report.

Officer contact:

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1. Background and national updates

- 1.1 A year ago, the resourcing and management for producing the Council's statutory accounts was reformed. At that time, we reported to the Committee on the difficulties experienced in 2018-19, the consequences of leaving the shared LGSS arrangements, and issues arising from changeover of financial system and auditor, setting that in the context of wider challenges nationally for local audit and the Council's plans to respond and improve its own position. We are now at the transition point between completion of the 2019-20 accounts and fully commencing the process for 2020-21. Much has been achieved and improvement continues, but, as we set out a year ago, the necessary enhancements to annual processes will take several iterations. This report gives further details on the current position, and identifies where shorter and longer term gains are being pursued.
- 1.2 In September, we updated the Committee on the findings of the Redmond Review in to local authority financial reporting and external audit. That review had been launched, amongst other reasons, in recognition of the challenges facing the sector and audit firms in delivering quality and code compliant audit, constrained by fee levels and tighter time constraints. In 2019, there had been widespread fee-overruns, delays and non-compliance with published timescales. Timescales were significantly relaxed in 2020, in recognition of the pandemic, however there continues to be a large number of Councils, including Cambridgeshire, struggling to accord.
- 1.3 The Ministry of Housing, Communities & Local Government has now published its response to the Redmond review (see link in source documents). Briefly stated, this is as follows:
- Market Stability – the MHCLG largely agreed with Redmond's recommendations: engaging with stakeholders to boost the skills and capacity of audit firms to undertake local audit, investing £15m in 2021-22 via local government reflecting a linked increase in audit fees and extending the deadline for audited accounts for two further years.
 - Systems Leadership – MHCLG is continuing to consider these recommendations which relate to the roles of PSAA Ltd (the audit contract holder), CIPFA (the accounts codifier), ICAEW / FRC (audit regulator), National Audit Office (the audit codifier) and central government. Redmond had suggested the creation of a new body, but MHCLG is concerned about the risk of re-creating the Audit Commission
 - Governance and local audit findings – MHCLG agreed with recommendations, subject to sector liaison and any necessary changes to statute, relating to reliance on internal audit work by external audit, working with other inspectorates, the composition and skill-sets of audit committees and reporting to the Full Council.
 - Transparency to the public – MHCLG will look to CIPFA to consider a new standardised statement of service information and costs to be produced, and whether this may lead to scope to simplify local authority accounts.

Other recommendations related to smaller bodies.

- 1.4 The Audit & Accounts regulations for the coming year have not yet been laid before Parliament, and it remains to be seen the pace at which these reforms come forward. An

additional national development in December, was that the CIPFA/LASAAC Board further deferred the implementation of IFRS 16 *Leases* for local government until 1 April 2022, providing further preparation time for this important development.

2. Statement of Accounts 2019-20 progress

- 2.1 At the meeting of this Committee on 24 November 2020, the Cambridgeshire County Council Statement of Accounts were considered ahead of finalisation, alongside the draft findings from the external auditor for 2019-20. The Committee delegated responsibility to the Chairman of the Audit & Accounts Committee and the Chief Finance Officer to approve and sign the final accounts, taking account of the matters outstanding. As at 18 January 2021, progress continues with those remaining audit procedures but it has not yet been possible to promulgate the finalised Accounts with signatures.
- 2.2 The areas identified at the last meeting as outstanding, and the current status are summarised as follows:
- Going concern – the Council's input has been completed, and we understand that EY's procedures and review are also concluded.
 - Cash and Cash equivalents – the Council's input has been completed, undergoing final audit checks by EY
 - Borrowings – the Council's input has been completed, undergoing final audit checks by EY
 - Payroll – after resolving remaining follow-up queries from EY, this is to undergoing final audit checks by EY
 - Group consolidation – all information and input received from the subsidiary auditor (RSM UK Audit). The Council is agreeing with EY a remaining adjustment to the group accounts
 - Property, Plant and Equipment – this has been the most complex and high-value area, see further details below.

The progress made has enabled us to move to the final stages of the audit, which will include checks for unrecorded liabilities up to the date of the signature, and closing procedures (subsequent events review, the Council's management representation letter).

- 2.3 As we have progressed through the management review stage at EY since the last Committee this has identified areas requiring further testing by audit. An additional payables sample was selected and a difference requiring an adjustment for grant treatment has been identified.
- 2.4 As set out in the November report, the most complex remaining area has been property, plant and equipment valuations. Section 4.4 of that report set out the issues in this area requiring continuous improvement, and some of these are addressed further in the next section. The most significant items which have been / are being worked through with EY since November in this area are as follows:

- Investment properties – EY queried the timing of first re-valuation, CCC's valuer's approach to assessing the stabilised income / yield for student accommodation, and the erroneous inclusion of certain acquisitions costs (taxes) etc. in a valuation. An appropriate value for these assets is now agreed at March 2020.
- Solar Farm – Further specialist input and commentary was required in relation to the value of the solar farm.
- Operational assets in Cambridge City – following initial queries and follow-up EY concluded that the Council's value was within an acceptable range
- Valuation method (specific operational assets) – EY identified a small number of queries relating to land area for valuation approach for specific assets. These have required additional evidence and input from the Council's valuer
- Shire Hall car park – EY raised detailed queries around the valuation methodology for car parking attached to the Shire Hall campus, requiring engagement from the Council's valuer.
- Schools – Since November EY reported to us one instance where a school value was incorrect due to an error in pupil numbers, following similar issues earlier in the audit. Most significantly, EY detected an issue throughout a large number of school valuations where separation is required between developed and undeveloped land (playing fields etc). This has required re-calculation and agreement between the Council and its valuers, ahead of resubmission to EY.

A number of these areas require valuation adjustments to the accounts. The last of these items is of the highest value. The nature of property, plant and equipment valuations impact on the balance sheet means that this adjustment will feed through to a number of places within the accounts.

- 2.5 Notwithstanding that completion of the audit is ongoing, we are close to finalising the accounts. Both the auditor and the Council will ensure completion of the process according to professional and quality standards, recognising that this has had an impact on delivery according to the nationally published timescales. The Committee will receive an updated audit findings report from EY in due course. There are no new or arising issues identified since November which are in dispute with the auditor in terms of accounting treatment, or which lead to a material variation in the useable funds available to the local authority.
- 2.6 Work by the auditor on the value for money opinion for 2019-20 (or 2018-19) has not yet substantively commenced by EY, although there will be some overlap in content with the going concern assessment. Progress with this is contingent on the predecessor auditor, BDO, reporting on the value for money opinion for 2017-18. It is understood that BDO have communicated with Chief Executive and Deputy Chief Executive in recent weeks explaining the methodology and latest developments, and now expect to present an update or results to the March meeting of this Committee.

3. Preparations for Statement of Accounts 2020-21

- 3.1 The corporate finance team convenes regularly to review progress with scheduled and targeted areas for delivery of the Statement of Accounts in 2020-21, cognisant of the areas for improvement identified in recent years. We have listed below a number of areas being progressed and the current status.

Description	Current status	Delivery expectation for 2020/21 accounts
Continued refinement of ERP Gold fixed asset register settings and general ledger coding	Plan in place; work to commence January 2021.	Some improvements require discussion with software provider, so will not be implemented for 2020/21. However, some improvements will be made, which will positively impact the production of the SoA and audit ease.
Review private finance initiative accounting models and build in appropriate inflation assumptions.	To commence in February 2021.	This will be completed for 2020/21.
Early consideration of potential expenditure accruals based on purchase orders.	First review to be issued to Finance Business Partners by 21 January 2021.	Updated data will be provided to FBPs on a monthly basis, reducing time taken for list of expenditure accruals to be collated for 2020/21 accounts.
Continuous updating and reconciliation of a centralised grant register.	Centralised register populated and reconciled; requires further update and reconciliation through Q4.	This will be completed for 2020/21. The grant position is much more complex than normal due to the additional sums granted by a number of government departments, with a variety of conditions, due to the pandemic.
Improved process for accounting for insurance transactions, provisions and reserves.	Proposed amended process has been produced; final review and agreement required.	This will be completed for 2020/21.
Record capital grants and capital contributions on separate account codes to aid reconciliation and audit of capital grants.	To be undertaken as part of closedown process for 20/21.	This will be completed for 2020/21.
Review and formalise process for property valuations, particularly the roles and responsibilities of Property and Finance teams.	Initial discussion held, and follow-up meeting to be arranged for late January 2021.	Progress will be made for 2020/21, but it is likely that further progress will be need to be made for 2021/22 also.

Obtaining payroll audit data in a more timely manner.	Draft plan in place; discussion with payroll to be arranged for February 2021.	Full gathering of known audit data requirements prior to commencement of the audit engagement may not be achieved for 20/21, but the necessary processes will begin to be put in place with full achievement for 21/22.
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- 3.2 It is intended that the remaining matters from 2019-20 can be addressed as swiftly as possible, such that full attention can be given to the next year. Although there are now no major changes in accounting standards being implemented for the coming year-end, two developments do present additional complications for the Council. Firstly, the Council changed banking provider during the course of the year. This was a complex project, completed largely smoothly, but is likely there will be additional audit procedures and reconciliations required as a result. Secondly, the Strategic Finance Manager who is responsible for corporate finance and has significant experience of fixed asset accounting for Cambridgeshire is away on parental leave until Summer 2021. This post is being covered by an experienced chartered public finance accountant and senior manager already employed by the Council with a view to mitigating the impact.
- 3.3 As can be seen from the table above and analysis of the remaining issues relating to property valuation, some of the issues relating to the Council's assets and property are complex and will require sustained enhancements over a number of years in order to improve the quality and timeliness of accounting information. At the November meeting of this Committee, an update specifically on the property asset database was requested. The Assistant Director: Property, has provided the following information.

Property Asset Database

- 3.4 The Property team is currently using a system called K2. As a result of the various changes to the CCC property function and related processes in recent years this system has not been able to provide the level of functionality required. A decision was made in November 2019 not to update this system or its data any further. A proposal was made to acquire a new system in early 2020. With the arrival of a new permanent Assistant Director Property the procurement of a new property asset database was incorporated into the wider Service Improvement Plan. The Plan was to conduct a re-procurement exercise for the database to ensure that any new system would fit with the proposed improvement to the service and encompass the entire estate (operational, rural, investment etc), and potentially deliver enhanced property management across the service.
- 3.5 This process was due to commence during the Summer 2020 but due to non-availability of key staff due to the pressures of the pandemic this was put on hold. The process has been restarted with soft market testing due to commence in February 2021. Once this is complete a full procurement process will be initiated and expected to take 6-9 months and be completed at the end of 2021. Implementation of the system will then take a further 6 months with the system planned to be fully operational by the summer of 2022. This is dependent upon approval of the business case for the new system and provision of funding and staffing.

4. Significant Implications

- 4.1 Resource Implications
- 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications
- 4.3 Statutory, Legal and Risk Implications
- 4.4 Equality and Diversity Implications
- 4.5 Engagement and Communications Implications
- 4.6 Localism and Local Member Involvement
- 4.7 Public Health Implications

This report refers to the progress being made with the Statement of Accounts in the context of the relevant regulations and statutory framework. There are no other significant implications.

5. Source documents

- 5.1 November 2020 report to this Committee
[Document.ashx \(cmis.uk.com\)](#)
- 5.2 MHCLG response to the Redmond Review
[Local authority financial reporting and external audit: government response to the Redmond review - GOV.UK \(www.gov.uk\)](#)

AUDIT AND ACCOUNTS COMMITTEE FORWARD AGENDA PLAN

Updated 18th January 2021

Note Group Leaders decided on 20th October to allow Committee to now make decisions on whether information reports would be included on future agendas. Please note this may change again as the Covid-19 crisis deepens if there is a need to again redeploy staff to emergency support areas

The following are standing agenda items which are considered at every Committee meeting:

- Minutes of previous meeting and Action Log
- Statement of Accounts Action / Improvement Plan Update – Monitoring at each meeting. Lead officers: Tom Kelly/Justine Hartley/Michelle Parker
- Integrated Finance Monitoring Report: this is always the latest report to be considered by General Purposes Committee. Lead officers: Tom Kelly/Rebecca Barnes
- Internal Audit Progress Report including progress of Implementation of Management Actions, Internal Audit Plan Update and Update on the value of the National Fraud Initiative. 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. Considered at every meeting other than the meeting when the IA Annual Audit Plan Report (March) is received or the special meeting to consider the draft accounts. Lead Officers: Neil Hunter/Mairead Claydon
- Agenda Plan

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
26/01/21 (13/01/21)	Debt Management Six Monthly Progress Update	Every six months January and June unless there is a request for additional updates	Head of Finance Operations	Alison Balcombe
	Performance Report Quarter 2 - <i>to be emailed to Committee</i>	Quarterly	Head of Business Intelligence	Andrew Mailer Tom Barden

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
23/03/21 (10/03/21)	Whistle Blowing Annual Review	Annual	LGSS Head of Internal Audit / Audit and Risk Manager	Neil Hunter Mairead Claydon
	BDO External Audit Final report on investigations into Objections to the 2016/17 and 17-18 Accounts	Out-standing report from Previous External Auditors	Lead partner - East Anglia/Head of Public Sector Assurance BDO	Lisa Clampin, BDO Barry Pryke, BDO
	Safer Recruitment in Schools Update	Tri-annual Termly	Senior Education Adviser	Diane Stygal
	Six Monthly Report in respect of Consultancy expenditure and compliance with the Policy	November 2020 Meeting confirmed this report is still required.	Head of People HR/ Procurement	Janet Aitkin
	Risk Register Update	Quarterly	Head of Internal Audit	Neil Hunter
	Transformation Fund Monitoring Report Quarter 3	Quarterly Update	Head of Transformation	Kelly Allen
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
01/06/21 (19/05/21)	Section 106 Update Report	Annual	Head of Finance and Deputy Section 151 Officer	Tom Kelly
	Performance Report Quarter 3	Quarterly	Head of Business Intelligence	Tom Barden
	Safer Recruitment in Schools Update	Tri-annual Termly	Senior Education Adviser	Diane Stygal

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
22/07/21 (09/07/21)	Final Accounts	Annual	Head of Finance and Deputy Section 151 Officer	Tom Kelly Ellie Tod
	Performance Report Quarter 4	Quarterly	Head of Business Intelligence	Tom Barden
	Transformation Fund Monitoring Report Quarter 4	Half Yearly Update	Transformation Manager	James Gemmell
	Update Report in respect of Consultancy expenditure and compliance with the Policy		HR/ Procurement	Janet Aitkin
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
28/09/21 (15/09/21)				
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
25/11/21 (12/11/21)	Safer Recruitment in Schools Update	Tri-annual Termly	Senior Education Adviser	Diane Stygal
Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
22/02/22 (11/02/22)	Update Report in respect of Consultancy expenditure & compliance with the Policy		HR/ Procurement	Janet Aitkin
	External Audit Annual Plan	Annual	Ernst Young	Mark Hodgson
	Safer Recruitment in Schools Update	Tri-annual Termly	Senior Education Adviser	Diane Stygal

Meeting Date/ (report deadline)	Report title	Frequency of report	Director/ responsible officer	Report author
31/05/22 (17/05/22)	Section 106 Update Report	Annual	Deputy Section 151 Officer	Tom Kelly
	Performance Report Quarter 3	Quarterly	Head of Business Intelligence	Tom Barden
	Safer Recruitment in Schools Update	Tri-annual Termly	Senior Education Adviser	Diane Stygal

Annual Whistle Blowing Report	Annual Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter
Annual Governance Statement	Annual Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter
Internal Audit Annual Report	Annual Report	Head of Internal Audit / Audit and Risk Manager	Neil Hunter

REPORTS TO BE PROGRAMMED AS SUBJECT TO ONGOING INVESTIGATIONS/ADDITIONAL WORK

FACT, HACT and ESACT Recovery of Monies This is currently the subject of a Police investigation	One-off Report When the report comes forward it may require a separate confidential appendix if it contains commercially sensitive information for the Council and other parties. This is being led by FACT and so until negotiations are concluded, any updates remain commercially sensitive.	Chief Finance Officer / Service Director Highways and Finance	Chris Malyon
County Farms Tenancy Audit	One off Report likely to be at the same meeting as the report below	Head of Internal Audit/ Audit and Risk Manager	Neil Hunter