

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: 20th September 2016

Time: 2.00 – 5.08 p.m.

Place: KV Room, Shire Hall, Cambridge

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

Apologies: Councillors: B Chapman and M McGuire

Action

240. DECLARATIONS OF INTEREST - None

241. MINUTES

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

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

242. RISK MANAGEMENT REPORT

This report provided:

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

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

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

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

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

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

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

Commenting on the schedule Members made the following comments:

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

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

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

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

9. failure to secure funding for infrastructure

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

D Thorp

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

Reference was made to the risk in relation to failure to undertake the necessary safeguarding DBS checks for drivers undertaking home to school transport. This was brought up again later in the meeting. There was a request for a follow up to the report previously received by the Committee as part of the planned safeguarding update report due to come forward from Keith Grimwade at the November meeting.

Rob Sander-son (RS) to contact Toby Parsons

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

20. Non Compliance with Legislative and Regulatory Requirements

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

26. Increasing Manifestation of Busway Defects

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

General Points

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

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

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

D Thorp

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

**D Thorp /
Sue
Norman**

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

**D Thorp /
Sue
Norman**

addition and that SMT should be asked to consider.

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

It was resolved:

To note the update report.

243. INTERNAL AUDIT PROGRESS REPORT

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

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

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

**Rob
Sander-
son to
contact
KG**

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

**Rob
Sander-
son to
contact
KG**

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

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

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

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

Comments included:

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

Hunter /
D Wilkin-
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It was resolved:

To note the report.

244. DRAFT AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT

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

In looking at the detail the following changes were requested:

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

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

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

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

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

It was resolved:

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

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

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

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

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

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

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

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

It was resolved:

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

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BDO**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Issues highlighted in discussion included:

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

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

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BDO**

The report was noted.

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

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

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

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

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

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

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

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

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

The report was noted.

248. STATEMENT OF ACCOUNTS 2015-16

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

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

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

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

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

R Perry

It was resolved:

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

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

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

Comments / issues raised by Members included:

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

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so the grants were being applied over future years.

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

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It was resolved:

To note the report.

250. DRAFT AGENDA PLAN

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

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

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

RVS

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/ Lisa
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BDO

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BDO

251. **AUDIT AND ACCOUNTS COMMITTEE ACTION LOG FROM MINUTES**

The Committee noted the completed actions / updates provided in relation to the minutes from the last meeting and earlier meetings, as set out in the report.

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

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

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

M Kelly

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

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

M Kelly

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

Camila /
Haggett
(Rhodes)

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

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

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

I Jenkins

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

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

M Kelly

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

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

**Cllr
Shellens**

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

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

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

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

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

11. Statement of Accounts

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

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

**I
Jenkins**

**I
Jenkins**

This was still outstanding.

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

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

Further explanation on this was still required by the Chairman

**I
Jenkins**

13. Minute 233 Internal Audit Progress Report

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

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

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

RVS

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

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

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

252. DATE OF NEXT MEETINGS

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

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

Chairman
22nd November 2016