

AGENDA ITEM:

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: Tuesday 22nd September 2020

Time: 2.00 pm – 3.24 pm

Place: Virtual Meeting

Committee Members Present:

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

Apologies: Councillor D Wells

Officers Present:

Robin Bates LGSS Head of Revenues and Benefits (Minute 264)

Debra Collins Service Delivery Manager Revenues and Benefits (Minute 264)

Christine Favill Corporate Operations Manager , Corporate Debt Recovery (Minute 264)

Tom Kelly Head of Finance

Fiona McMillan Joint Director of Law and Governance

Rob Sanderson - Democratic Services Officer

Duncan Wilkinson - Chief Internal Auditor

260. APOLOGIES FOR ABSENCE DECLARATIONS OF INTEREST

An apology was received from Councillor Wells.

261. MINUTES OF THE AUDIT AND ACCOUNTS COMMITTEE DATED 30th July

It was resolved:

That the minutes of the meeting held on 30th July 2020 were agreed as a correct record and would be signed by the Chairman when Shire Hall was re-opened

262. MINUTE ACTION LOG UPDATE

As the actions had either been completed, or would be included as updates to the draft Annual Accounts to be presented to the additional October meeting scheduled to approve the final accounts,

It was resolved:

To note the Minute Action Log.

263. PETITIONS AND PUBLIC QUESTIONS

None received for either by the County Council Constitution deadlines.

264. DEBT MANAGEMENT UPDATE

The Committee has specifically asked for details of progress on the management of debts owed to the Council with quarterly updates on agreed reporting requirements. In addition, at the July Committee meeting, a specific update was also requested for the current meeting formal agenda to also include updates on debts owed by Cambridge and Peterborough NHS Clinical Commissioning Group CCG and LGSS Law)

The report was an update from that previously reported in January 2020 and set out the most recent position with regard to collection of 2019/2020 debt as well as progress made within Quarter 1(Q1) of 2020/21. As agreed at the previous Audit and Accounts Committee, the quarterly update used the following three key performance indicators:

- (a) Collection Rates
- (b) Overall Debt Movement
- (c) Classification of Overdue Debt to monitor 'Total Debt Issue'

In terms of collection rates, tables in the report showed month by month the number of invoices raised in terms of value and the amount collected by value. This indicator demonstrated that the majority of invoices raised during the year were collected promptly, with the % collected increasing the further an invoice moved through the initial recovery cycle. A summary of the collection rates for 2019-20 showed that the 'In year' collection' had been 96% with collection rates by volume achieving 93% exceeding the CIPFA benchmarking average of 87%. For 2020--21 collection would again be much higher later in the year once some of the large invoices were collected. 'In year collection' was so far at 93% with collection rate by volume at 83%.

The report highlighted that the debt recovery function had moved into the LGSS Revenues & Benefits service at the end of February 2019. A high level comparison of the overall Cambridgeshire County Council (CCC) debt movement through 2019/20 and into Quarter 2 2020/21 indicated an £6.77m improvement in the overall debt position whilst managed by LGSS Revenues & Benefits. From the data in the report, the movement of overall debt demonstrated that whilst aged debt was continually being cleared, as it was the case that new invoices were being raised each month there would always be a level of debt reported as outstanding. Officers were continuing their focus on reviewing the oldest and largest debts. The report tables showed that there had been a reduction of debt that was between 366 and 730 days of £2.74m (75%).

Of the £35.53m total debt that was outstanding at 1 March 2019, only £10.84m remained unpaid at 1st October 2019. By 31 December 2019 this had reduced to £9.58m with the position at 1st September 2020 showing a further reduction to £6.9m, a total reduction in debt of £28.5m. The reduction of debt that was between 366 and 730 days had reduced by £2.74m (75%). The report explained that the most significant movement in the debt was realised in the earlier stages of recovery, demonstrating the effect of the Team's focus on ensuring that new debt did not become aged debt.

While the overall debt figure was £21.38m as at 1st September 2020, £6.5m of this was owed by Cambridge and Peterborough NHS CCG, with further detail set out in Appendix A to the report. A further £0.05m was debt assigned to LGSS Law and were both managed by Cambridgeshire County Council (CCC) Finance Team. The overall debt under the management of the debt team stood at £14.8m and as set out in the detail of the report was further broken down to identify 'problem debt' where collection was or might be an issue.

Issues raised in debate included:

- While Officers had indicated that the monthly collection target by volume by March in the current year had exceeded the CIPFA benchmarking average, looking at the bottom line of the table in 2.1 it had actually fallen between February and March 2020. It was explained that from March 2020 through to August 2020 had been the period of lockdown. During this six months period there was a performance dip as the Debt Collection Team had been mindful of the position many people found themselves in, especially in respect of Adult Social Care debt. As a result, during that period active recovery and reminders were suspended. However, since then, automatically generated reminders had recommenced.
One Member highlighted that there had been a significant increase in invoices issued in January 2020 compared to other months. This was the likely result of Services being aware that they were approaching the end of the year and needed to ensure all invoices issued were for the correct year. This had also been at the time the Adult Social Services Team changed their invoice practices to ensure they were not so far in arrears and had undertaken a double run. *Action: The officer undertook to check that this had been the reason and would write to the Committee to confirm outside of the meeting. Note A response was provided to the Committee in an email dated 23rd September.*
- In reply to a query raised regarding the significantly smaller number of invoices raised in May 2020 as set out in the table in 2.1.2 this would also have been a result of the changes to Adult Social Care billing undertaken in that period.
- Questioning why LGSS Law and NHS CCG debt was the responsibility of the Finance Team rather than the Debt Collection Team. The Head of Finance explained that in terms of LGSS Law they were almost back to business as usual and now would have very little debt going forward as cash flow had been stabilised and they would now be handed back to the Debt Management Team. In terms of the NHS CCG debt

the vast majority of this would be collected and was in respect of joint funding such as the Better Care Fund and was paid on time. The more complicated area was in respect of jointly funded client based debt linked to social care assessments. Some of the issues had been CCG capacity, while others were the result of payments matched to the wrong invoices resulting from initial ERP implementation issues. As a result of the complexity of the data involved, this required further investigation by the Finance Team. However, now that the reconciliation exercise was complete, the debt recovery position was much improved.

- Linked to the above, a question was raised on what difference did this make to overall debt outstanding. The CCG debts were currently £6.5m and as the Debt Recovery Team focussed on debts managed by them this reduced the debt from £21m to around £14m. The Chairman asked if there was a target date when this might happen? Reference was made to the Appendix to the report providing more detail, but was likely to be at least a further six month period while Nursing Care would reduce to zero as this was no longer funded by the CCG. Of the accumulated debt, £1.9m had been collected in the last year, and as the reconciliation period had finished, there was an expectation of being able to get the debt below £3m.
- Cllr Hudson, the Chairman of the Health Committee highlighted that the debt of CCG funding Nursing Care debt went back to 2017-18 and as the CCG were currently £133m in debt, he asked where the Council stood in the debtors order for receiving its money back. It was explained that the CCG has a number of financial challenges before the pandemic and as they had been able to reimburse another council for monies owed, the Head of Finance was confident the money would be repaid, but it was right to challenge that it should be pursued, to ensure the payments were received.
- In respect of the table in paragraph 2.2 – ‘movement in overall debt’, the Chairman asked for an explanation of how the figures could vary so greatly in different months. As an example on the 1st January 2020 the debt was £12.22 million but by 1st April it had fallen to £2.75m. He had expected to see a wave pattern of the debt continuing to rise and then falling in later months. It was explained that it was a snap shot on the date given and reflected that in January the debt reflected the invoices raised in December, for instance for the CCG, but then many were paid by the next snap shot period and if paid, would not show up as part of the next snapshot period. Invoices were raised every month but were also being paid on a regular basis, with peaks of invoices raised at certain times of the year. The CCG debt did tend to cloud the movement of debt.
- In the same table the Chairman referencing the figure of £4.59 debt over 730 days asked how much of this could realistically be expected to be recovered and how much would need to be written off. In reply, some of this was CCG debt (£2.6m), and it was anticipated a large element would be recovered. The next table in the report explained overdue debt in more detail and showed that for over 730 days at 1st March 2019 debt the figure was £1.77m and had reduced to a figure of

£0.73m by September 2020 which would be cleared either by payment, or a decision to write off.

In terms of when the next report could be presented, the Officers had suggested at the end of Quarter 4, and as this ended for the period ended 31st March a report could come forward to a meeting in the middle of May. The Chairman indicated that this was too long a period, as outstanding debt was still an issue with regard to overall Council finances and also, as it was after the next local elections (if they still went ahead) he might no longer be on the Council. He therefore asked for a progress report to come back within three months. Democratic Services highlighted that while there was no meeting of the Committee in December, there was already a further scheduled Debt Recovery report in the agenda plan to come forward to the January meeting. The Debt Officers agreed therefore to present an update report to that meeting, which, depending on timing of when the reports were required for despatch, would either report on the period to the end of November, or possibly to the end of December. Robin Bates highlighted that this would in fact be their final update, due to changes to LGSS.

It was resolved:

- a) To note the actions and approach being taken to manage income collection and debt recovery.
- b) Agree that a further update report on the debt position would be presented to the 26th January 2021 Committee meeting.

265. INTERNAL AUDIT PLAN

The Chief Internal Auditor introduced the report setting out the main areas of audit coverage for the period to 19th August 2020. He highlighted that while there was an agreed 2020/21 Audit Plan, following the outbreak of the Covid-19 pandemic it had been decided, in consultation with the Chief Executive and Chief Finance Officer, to pause the existing Audit Plan and to fully align Internal Audit resources to risks being managed by the County Council. This included seconding Internal Audit staff to the areas of greatest need, as detailed in the report.

During the first quarter, the Internal Audit Team had completed the reporting of the 2019/20 Internal Audit Plan with the annual Chief Internal Auditor opinion confirmed in the Internal Audit Annual Report and the Council's draft Annual Governance Statement. The audit work in the first few months had been reactive, looking at risks and issues the pandemic directly impacted, namely daily spend transactions, payroll and contract management in order to provide assurance that proper controls were in place and to confirm the legitimacy of the spend being undertaken. The Chief Internal Auditor was able to give positive assurance that for Cambridgeshire County Council no issues

had arisen that gave concern, with nothing significant found in terms of fraud activity or materiality issues.

Details were shared on the National Procurement Guidance issued by the Government in March. This Guidance went against normal accepted contractual practice, as it required councils to continue to pay suppliers under the terms of an existing contract, even if they were not receiving the services, to ensure that those firms were still in business to provide the necessary services once the pandemic subsided. Internal Audit had worked closely with Finance to ensure that the guidance was applied appropriately, with proper controls in place. Assurance was able to be provided that no inappropriate payments had been found.

Section 3 of the report provided details of the recurring work undertaken, including project-based assignments. It was highlighted that Internal Audit had responded to requests from service areas requiring assistance on project support in respect of control and compliance. The expectation now was that the Service would now revert to a more structured work-plan for the second half of the year concentrating on the key financial controls, with Covid-19 being expected to directly affect the focus of this work.

In terms of investigations, the Team has experienced higher than normal workloads, with the work carried over from 2019/20 having had a significant impact on resources. Annex B set out details of fraud monitoring, with confirmation given that no significant fraud activity had been detected, while ensuring vigilance in this area would continue.

Regarding following up on previous audit recommendations, these had been actively monitored up until the end of March 2020 but in line with the business continuity arrangements, and mindful of Council service pressures arising from Covid-19, internal audit had paused the process. The team had recently again asked for updates on overdue recommendations, but due to the impact of Covid-19 on services (and officers being on leave) full updates and verification of reported implementations had not been possible in all cases. A more formal follow up process was to be undertaken from September and assurance was provided that the Audit Team would also revisit outstanding recommendations to confirm they remained relevant and proportionate through discussions with Services and that all relevant recommendations would either be confirmed as having been implemented, or that revised dates for implementation agreed. The intention would be to provide an update in the Internal Audit report to the October meeting on revisions to the Audit Plan.
Action: Chief Internal Auditor.

Issues raised in the debate included:

- While one Member understood the philosophy of paying contractors / suppliers to ensure that they remained in business, he asked if the

Cabinet Office had been prepared to underwrite the costs incurred. In reply it was explained that underwriting was not the correct phrase, as the logic had been that the Council would have had to pay during the period under the existing contracts terms if there had not been a pandemic. Further questions raised on this point were in relation to what would happen if the contractor still went bankrupt and there was a need to then go to another contractor and pay again for the services not received. While he was not aware of the exact route for obtaining additional funding, there were routes to go to Government for additional funding if Councils slipped into financial difficulties.

- Referencing Annex B and fraud performance in table 1, there was a lack of detail regarding a recent school fraud and what action had been taken against the person involved in the fraudulent activity. It was explained that this was due to it not involving a Cambridgeshire County Council employee, if it had been, more information would have been provided. In answer to a question on whether the 12 cases of fraud recorded appeared to be a higher level than usual and whether was this an upsurge, this amount was not excessive, and none involved significant values.
- In reply to a question on whether court action for two blue badge offences fraud seemed excessive, national audit agencies viewed this as serious as it impacted on the wider society and vulnerable people. As the abuse of the scheme was a sensitive issue, where there was clear cut evidence of criminal fraud, the Service would always recommend that the case should be passed on to the Police. The decision to prosecute was not for the Service, but was a Police or 'Action Fraud' decision.
- The Member referencing the County Farms referral case expressed his frustration that the investigation had dragged on for so many months and the Committee was still not being given a date for a Committee report and wished to see it come forward as soon as possible so that the Committee could see and discuss the outcome of the investigation and the proposals for County Farms going forward. In reply to a clarification question he had raised, the Chief Internal Auditor confirmed that it was the Manor Farm audit inquiry and that as the case was still ongoing, it was difficult to provide an exact date for when a final report would come back to Committee as it was still subject to very detailed legal advice due to the sensitive nature of the case. The draft audit report had been completed and sent out to stakeholders for accuracy checks, on 17th August, and the last of the responses had only been received the previous evening. Assurances had been given to the Chief Executive that it was the top priority for Internal Audit to commit resources for a resolution, but currently he was bound to have regard to the legal processes involved and legal exchanges still ongoing as well as what could be said in a public forum. The Chairman made the point that he was also extremely frustrated and impatient for a report to come forward and the issues to be resolved and had been pressing the Chief Internal Auditor for a report for at least 18 Months. He made clear that he would expect to see a report to be considered by the Committee and certainly in good time before the next election as

he would not wish to hand over this issue to a new Chairman, which he considered, would be a nightmare.

- The Vice Chairman raised the issue that the Committee was currently restrained from discussing certain reports classed as information reports which he considered were important to be in the public domain as they were classed as information reports such as the Transformation Fund, Monitoring Report, the Annual Whistleblowing Report and the Finance Monitoring Report. In reply it was explained that was currently in line with the instruction from Group Leaders in order to keep the number of reports on virtual meetings to a manageable level and was part of the Virtual Meetings Protocol agreed by Full Council and restated, when agreeing a revised version at its meeting in July. *Action: The Joint Director of Law and Governance was happy to raise the Member's concern at the next Group Leaders meeting.*
- The Chairman in noting that the Internal Audit Service was two posts down and that the work was not decreasing, (especially as the Chief Internal Auditor had already indicated that the Team would be very busy with the audit work described earlier) asked whether there was enough resource to carry out the programme. In reply, it was explained that while they were currently two posts down in the Internal Audit Unit in Cambridgeshire these were not all involved in the Audit Plan as there were staff shared between three Councils. Also other staff had now returned from their Covid-19 redeployments, and there were also two new entrants, so there was sufficient staffing resources to deliver the planned work for Cambridgeshire, while also recognising that it was far more difficult to train new staff virtually. *In terms of proposed changes to the Audit Plan, a further report would come back to the Special Meeting in October to approve a revised version. Action Chief Internal Auditor / Head of Internal Audit*
- Paragraph 3.3.3 PPN 02/20 – Supplier relief - Regarding the Internal Audit developed procedures for the end-to-end supplier relief process and the intention, as quoted, that later in the year there was the intention to include a focus on additional spend over £20k claimed by suppliers as a result of COVID-19, the Chairman asked when the Committee might see the results. It was explained that payments to suppliers national guidance still applied and Internal Audit would be looking at those in excess of £20k to ensure there were still good risk management procedures in place. The details would be coming back to the October Committee meeting as part of the Internal Audit Plan update report. *Action: Chief Internal Auditor / Head of Internal Audit*
- Referencing paragraph 3.3.5 'Procurement Waivers' it was stated that a final report would be issued by the 4th September, the Chairman asked if this had happened. The Chief Internal Auditor indicated he would check and confirm the position to the Committee in an email outside of the meeting. *Action: Chief Internal Auditor.*
- Paragraph 3.4.4 referencing the 'Highways Project OBR' under the heading 'Ad-hoc projects' stating "*The team undertook work assessing*

the 'actual cost' information provided to the Council by the contractor in March, resulting in a significant repayment to the Council. This exercise resulted in numerous meetings, conversations and emails that confirmed the contractor was required to resubmit their final position as at 31st March 2019 and 2020 to allow the OBR to continue. Despite numerous reminders to the contractor, this has not been forthcoming. In early September 2020 the Executive Director, Place & Economy, sent a letter to SKANSKA and in clear terms set out the Council's expectations. The Chairman asked if a response had been received and if not, when could it be expected? Action: The Chief Internal Auditor understood the work was ongoing, but would check and provide the Chairman with a specific briefing meeting outside of the meeting.

- In respect of recommendations from Internal Audit reviews that might no longer be required and how this would be reported, it was hoped to be able to provide a revised schedule in time for the October meeting as part of the Internal Audit Plan update report. *Action: Chief Internal Auditor / Head of Internal Audit*
- While the Chairman accepted that Covid-19 impacts had required changes to the agreed Audit Plan, he would like to be briefed as soon as practicable on what had been removed. *Action: Chief Internal Auditor would arrange a briefing outside of the meeting.*

Having considered and commented on the report,

It was resolved:

- a) To note the report.
- b) Agree that the Audit Plan for the remainder of 20/21 reflected the current environment and that the outcomes would be reported to Joint Management Team (JMT) and the Audit and Accounts Committee using the normal reporting arrangements.
- c) That the revised Audit Plan should be presented for approval at the October meeting.

266. FORWARD AGENDA PLAN

It was resolved:

To note the Forward Agenda Plan as set out.

267. DATE OF NEXT MEETING 10 A.M. 30TH OCTOBER 2020

CHAIRMAN

30th October 2020