

Audit and Accounts Committee: Minutes

Date: 31st May 2022

Time: 2.00pm – 5.00pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors J French (substituting for C Boden), N Gay (Vice-Chair), M McGuire, A Sharp, S Taylor, A Whelan and G Wilson (Chair)

Officers: Janet Atkin, Alison Balcombe, Dawn Cave, Mairead Claydon, Steve Cox, Alex Deans, Tom Kelly, Stephen Howarth, Dean Leather, Fiona McMillan, Stephen Moir and Sue Procter; Mark Hodgson (EY); Lisa Blake and Barry Pryke (BDO) (*officers attended for relevant items*)

55. Notification of appointment of Chair and Vice Chair

The Annual Council meeting held on 10th May agreed to appoint Councillor Wilson as the Chair and Councillor Gay as the Vice Chair for the Municipal Year 2022-23.

The Chair extended a special welcome to Mairead Claydon, as the Interim Head of Audit, and thanked Neil Hunter for all his work in that role.

56. Apologies for Absence and Declarations of Interest

Apologies for absence were presented on behalf of Councillor Boden, Councillor French substituting. There were no declarations of interest.

57. Petitions and Public Questions

There were no petitions or public questions.

58. Public minutes of the Committee meetings held 7th and 18th March 2022

It was resolved to approve the minutes of the Committee meetings held 7th and 18th March 2022.

59. Committee Action Log

The Action Log was noted.

60. External Auditors' Value For Money Conclusion for year ended 31st March 2018

The Committee considered a verbal update on work undertaken regarding Value for Money issues by the former external auditors, BDO, in relation to their final audit for the year ended 31st March 2018.

The Chair welcomed Lisa Blake and Barry Pryke of BDO to the meeting, and explained that further to the finalisation of BDO's Value for Money Conclusion in December 2021, they would be providing an update on the objections received in 2017 and 2018. He advised the BDO representatives that the Committee was concerned that the objections were still not determined, following the update received at the November 2021 Committee.

Ms Blake of BDO explained that following on from the finalisation of the VFM conclusion in December 2021, further work needed to be completed before a statement of reasons could be issued on the wide-ranging objections relating to the 2016-17 and 2017-18 Accounts. Those objections mainly related to contracting and procurement processes. She was pleased to report that all audit enquiries and audit work in respect of those objections had now been completed. Whilst the original intention had been to complete the statement of reasons by the end of April, that timeline had not been met. She explained that this was an iterative process, requiring support from BDO's Quality Assurance and legal teams, and there was also a requirement for BDO to provide a draft statement of reasons to PSAA before it was issued to either the Council for checking for accuracy, or to the objector.

Thanking Ms Blake, the Chair asked what timescale BDO were currently working to, as the Committee was increasingly frustrated that this work had not yet been concluded. Ms Blake advised that they were anticipating that the process would be complete by the end August. She was unsure of turnaround times for PSAA, but had received prompt responses from them in the past. The Chair responded that a further three months seemed an unnecessarily long time. Ms Blake apologised for BDO's failure to meet the April deadline, and outlined the numerous pressures on audit resource, both locally and in the wider market. She commented that the August date was realistic, and it would be issued before then if at all possible, but she was unable to commit to an earlier date at this stage.

A Member asked if BDO had any other LA clients in a similar position, i.e. waiting for similar historic issues to be resolved. He commented that it was a very unsatisfactory situation from the Council's perspective, and also for the objector who remained dissatisfied that his concerns had not yet been adequately addressed. Ms Blake advised that she did not have any other outstanding issues within her own portfolio that dated back this far, but more widely within BDO there were audited entities who had outstanding objections for previous years. PSAA maintain performance statistics, but she acknowledged that it was not unusual for responses to objections to take this long, and added that this was a particularly complex and wide ranging objection, with high level allegations that needed to be dealt with sensitively and confidentially. Acknowledging this, the Chair commented his understanding was that all objections had been considered, it was now a matter of writing and issuing the response. Ms Blake outlined the processes that needed to be completed before the response could be issued.

A Member queried the usefulness of any conclusions that would be drawn given amount of time elapsed, and whether it was reasonable for BDO to continue to claim fees. Ms Blake acknowledged that the recommendations were not as timely as they could have been, but there had been regular discussions with the Council throughout the process, and BDO had been in contact with current and former senior officers regarding the report recommendations, to ensure actions could be taken before the objections were finalised. Whilst there had been delays in the final reporting, Ms Blake maintained that good value audit work had been undertaken, and this was specifically about responding to electors' rights rather than the VFM judgement.

The Chief Executive clarified that he had not been approached by BDO to discuss the objections since taking up post. He agreed that it was disappointing that the Council was in this invidious position, which he had not experienced with audit partners in other public sector bodies, and he requested confirmation in writing that these matters would be concluded by August at the latest. Ms Blake confirmed that discussions had taken place with the previous Chief Executive, and that she was happy to confirm in writing BDO's commitment to the proposed timescales.

Noting that EY had taken over the External Audit role in 2018-19, a Member asked Mark Hodgson of EY about the four years of VFM conclusions for those subsequent years, which was required following BDO's conclusion of this work, observing that this was potentially subject to more objections. Ms Blake clarified that BDO had completed the VFM work, and that the outstanding work related to the objection received, and that this did not impact on the VFM conclusions for the years BDO audited. The Director of Finance commented that objections received covered similar areas, so there was a sequential impact, and discussions with EY indicated that they could deal with previous years' VFM considerations relatively quickly or concurrently once in a position to proceed. Mr Hodgson agreed, and advised that EY would not accept any objection as valid until the BDO work had been concluded. The Chair noted this sequential impact on subsequent years' audits and suggested BDO reconsidered the fees charged for this work.

The Committee resolved unanimously to note the update.

61. Financial Reporting and Related Matters

Members considered a report setting out progress with the Statement of Accounts for the year ending 31 March 2021, and matters relating to the production of accounts for 2021-22, which was linked to the following item on the external audit report.

The external audit for 2020-21 had not been concluded, but good progress was being made in most areas. A national issue around accounting for infrastructure assets had further delayed completion of the final Statement of Accounts. This issue was impacting on a large number of local authorities nationally and predominantly related to the valuation of roads and highways. It was the subject of an ongoing CIPFA consultation on updating the CIPFA Code of Practice.

The report also provided an update on the City Deal accounts. Since the March Committee meeting, EY and the Council had concluded on the relevant accounting treatment and had determined that the appropriate treatment was to recognise each year's individual allocation as a separate grant in the Comprehensive Income and Expenditure Statement. The accounting entries for this approach had been set out in the March Committee report.

In March 2021 the Government issued regulations that amended the deadlines for publication of draft and final accounts for the financial years ending March 2021 and 2022. Therefore, as with the accounts for 2020/21, the date for publication of the draft accounts for 2021/22 was currently 31st July 2022, and the audit should be completed by 30th September. Members also noted that the government had recently commenced a consultation on amended regulations that would extend the

deadline for having completed, audited accounts to 30th November, rather than 30th September.

Discussing the Highways/infrastructure issue, Members noted that this was purely an accounting issue, and did not impact on the value of the Council's usable assets.

A Member queried the appropriateness of the current accounting treatment of PFI schemes, and whether there was any latitude to bring these agreements to an end. Officers indicated that they were content with the way PFI schemes were accounted for, and all contracts were reviewed as at the appropriate review points under contract

It was resolved unanimously to:

1. note and comment on this report;
2. note the external auditor's draft Audit Results Report;
3. approve the accounting policies set out in Appendix A, including the two changes proposed to the current accounting policies set out in section 3.5 of the report.

62. Audit Results Report – Addendum – Year ended 31st March 2021

The Committee considered a report on action taken in response to the findings of procurement weaknesses identified in the external auditor's value for money opinion.

In March, the Committee had considered an Audit Results report with assurances and procedures that applied at that time. EY sought to bring two key issues to the Committee's attention, which had arisen subsequently:

- Infrastructure assets, covered in the preceding report, had been raised as a new significant risk. This impacted on all authorities whose 2020-21 accounts had not yet been signed off, and had the impact of potentially altering the external audit opinion;
- A decision had been reached on how to deal with the City Deal grant, with the grant now spread equally over five separate years.

Other areas included:

- Significant adjustments in relation to the valuation of Property, Plant and Equipment;
- The audit of This Land Ltd by external auditors RSM had now been completed. There were some audit differences which would be highlighted in the financial statements as this impacted on the Group Accounts.

In relation to Infrastructure assets, a Member observed that those authorities whose accounts had already been signed off for 2020-21 would be on a different basis to those who were yet to sign off. The External Auditor advised that he was anticipating that the threshold would be increased to £2Billion, which would only

impact on a few authorities. It was confirmed that consideration was being given as to whether the Prior Year Adjustment would be merited under the requirements of the Standard.

Officers commented that in terms of Infrastructure assets, two routes were available to the Council: either they could wait for the outcome of the CIPFA consultation, or the finalised audit opinion from EY could be sought, with the proviso that there would be a limitation of scope in relation to infrastructure assets.

This approach would enable the Council to progress to the next set of accounts which were upcoming, further time to address accounting issues with infrastructure assets. This would be a route to signed accounts under the March 2022 delegation from this Committee.

Officers were pleased that a way forward had been concluded on City Deal, building on the discussions at the last Committee meeting, and the proposed treatment would be more intuitive for users of the accounts.

In response to a query on the BDO timescales, EY advised that they had commenced work on VFM conclusions for the 2018-19, 2019-20 and 2020-21 accounts, and whilst they were behind timetable, this work should be completed relatively quickly. In terms of outstanding objections, BDO's statement of reasons needed to be reviewed before decisions could be made, and those decisions would be taken individually and sequentially.

In response to a question of the impact of cost issues arising from BDO being so late, officers advised that there was an entitlement under legislation for BDO to pass on the costs of both objections and additional procedures to the Council. So far BDO had not presented an estimate of any extra costs, and officers were asked to keep Members updated on cost issues.

It was resolved unanimously to:

- a) receive the update on the actions taken and planned in response to the identified procurement weaknesses;
- b) note and comment on the County Council's actions taken and planned as set out in this report.

63. Major Infrastructure Delivery

The Committee considered an update on the improvements in the Major Infrastructure and Delivery service, now known as the Project Delivery service.

Members noted the background to the report, and the considerable improvements that had been introduced and embedded over the previous 18 months, including the various processes put in place to meet the audit recommendations. The report demonstrated that the Service had come a long way over that timeframe, and that the Service was continually looking to improve. It was noted that the original audit had resulted in a large number of recommendations, and that a follow up audit of the implementation of the actions would be carried out by the Internal Audit team later in the year. The Executive Director highlighted that there had been significant cultural change within the relevant teams, and he was appreciative of Internal Audit's agreement to continue to monitor progress and undertake a further review.

In response to a question on whether lessons learned from this Internal Audit could be transferred to other Council services, senior officers agreed that there were learning opportunities across the Council, especially within project and contract management, and they were working with Human Resources and Learning & Development colleagues to improve employees skills. Some points e.g. ensuring that contract management included the robustness of supply chain partners and processes, had already been picked up in Contract Procedure Rules, and there was clearly more learning that could be picked up across the Council, especially in relation to capital programme delivery.

It was resolved unanimously to:

- a) note and comment on progress to date;
- b) delegate the final matters for closeout to the Executive Director Place & Economy;
- c) note that a follow up audit of the implementation of the actions will be carried in Quarter 3 of this year.

64. Performance Management Framework

The Committee considered a report on the revised and refreshed Performance Management Framework and its role in the Council's governance framework. The Performance Management Framework set out how the Council manages performance in delivering services against its overarching priorities. It describes performance management activity at three levels: strategic (Committees and senior officers), operational (directorate and senior management teams) and individual (based on the Our Conversations framework).

The new framework sets out consistent and standardised approach to performance management. It proposed that Strategy & Resources Committee should receive quarterly reports on strategic KPIs, organised by key priorities, and determined by the annual Business Planning cycle. Service Committees should also receive regular reports on more detailed KPIs relating to their areas of oversight.

It was noted that Audit and Accounts Committee was not included in the performance framework detailing role of various Committees. Officers confirmed that this was an oversight, and the role of the Committee would be included in the final document. It was also noted that indicators were confirmed for some but not all priorities. Officers advised that they had been working with Service Committees to identify indicators, and a progress report would be considered at the June Strategy & Resources Committee. Currently only around half of the indicators had been confirmed.

There was a query on indicators adopted, and the degree to which the Council could direct or indirectly influence specific areas, e.g. Universal Credit claimants levels. Officers confirmed that these points had been discussed at length at the Member workshops, which had also considered what happened when an indicator related to more than one Committee.

A Member asked if these were the strategic, high level indicators, and whether there would be more substance at individual Policy and Service Committee level. It was confirmed that this was the case, and the Performance Framework as presented

covered only the strategic indicators. More detailed indicators would be established by both Policy and Service Committees and management teams.

A Member commented that much could be gained from reviewing the performance framework which other authorities had in place, and this comparison could be more valuable than assessing and defining the Council's position. Officers confirmed that benchmarking between authorities against standardised indicator definitions was a very important part of the service planning which was used across the whole Council. However, whilst other authorities' performance frameworks had been reviewed, Cambridgeshire's framework needed to reflect unique points such as the Our Conversations process. The Member stressed the importance of not letting KPIs get in the way of delivering services, which should be the priority. Officers agreed, and commented that KPIs were an important part of the quality assurance process, but there were a range of more granular tools available to managers to deliver services and monitor performance.

The Chief Executive observed that any approach to performance management needed to be proportionate, with a balance between inputs, outputs and outcomes. Officers were working with Members to ensure the right approach was adopted, and that it was not too burdensome.

It was resolved unanimously:

- a) to note and comment on the Performance Management Framework;
- b) In future, to review the performance report after it has been presented to Strategy and Resources Committee quarterly

65. Consultants and Agency Worker Data - Quarter 2 2021-2022 and Quarter 3 2021-2022

The Assistant Director for HR Services presented an update on the use of consultants and agency workers in Quarter 2 (July to September 2021) and Quarter 3 (October to December 2021). Two consultants were engaged via Opus in Q2, and no consultants were used in Q3. The report also set out information on all interims and consultants engaged outside of these arrangements and coded to the consultancy code.

The report also set out the usage of agency workers and interims during the reporting period, which showed a decrease from Q2 to Q3, which was mainly attributable to the pandemic. A significant number of contractors had been supporting public health, but this number would decrease moving forward. Approval processes were being updated in relation to employees, consultants, interims and agency workers, enabling increased scrutiny of spending prior to their engagement.

Whilst observing the reduction in numbers, it was noted that 9.4% of workforce costs were being spent on agency workers and interims. Even allowing for the pandemic, a Member commented that this seemed high. Officers explained that the percentage was still high and should eventually return to historic levels of around 6%. However, it was quite possible the percentage would increase for some time, due to recruitment challenges across the board. Recruitment and retention were challenging nationally, especially in the public sector, and labour shortages would

continue to impact. The Committee was reassured that whilst the workforce picture was bleak, the Council continued to use creative methods to recruit and retain staff.

A Member was unclear on how some of the consultants were counted, and whether they should be more appropriately coded to projects e.g. Bar Hill Surface water Alleviation Project. Officers agreed to review this point with Finance colleagues. Action required.

There was a Member query as to whether senior interims could appoint other interims/agency workers. It was confirmed that the policy on appointments had been improved and tightened up following an audit.

It was resolved unanimously to note the current data on the use of consultants and agency workers/interims.

66. Debt Management Update

Members considered an update on the current debt position.

The debt position had improved by £4.8M to £17.5M from the position reported in July 2021. There was a positive picture across most Directorates except Adult Social Care, which had increased by £1.8M. The bulk of that increase related to the increased timeframe now being experienced in the completion of some formal processes such as Court of Protection (COP), Power of Attorney and settlement of clients' estates. These processes had previously taken around 16 weeks, and were now taking much longer, on average. In response to a Member question, it was confirmed that this was a national issue beyond the Council's control, and the delays were common not only to local authorities across the country, but also the private sector deputies.

A Member observed the Debts classified as pending write-off had reduced from £305K to £71K, and asked whether this had meant that the Council had written off that amount rather than collected payment. It was confirmed that much of that figure would have been write-offs rather than payment collected. It was noted that write offs for 2021/22 were fairly low at £868K, which represented less than 0.5% of revenue raised within the same period.

Members noted that there was a general improvement in the CCG area, reflecting the good work undertaken by Finance colleagues. All pre April 2020 debts had been resolved, and work had commenced on the post April 2020 debts.

In terms of collection rates, these were around 94% for the first three quarters of 2021-22, reducing to 77% for the last quarter. However, this was because many charges were not yet due at the time of reporting, and that figure was improving and was expected to be in line with the previous quarters.

Officers outlined the considerable work that had been undertaken implementing the Service Improvement Plan. One particular success had been the work undertaken to reduce the number of invoices sent out by post, which had reduced by 11% to 66%. A specific campaign had been undertaken with schools, and was now being rolled out in Adult Social Care. Improvements to self service processes and encouraging

budget holders to raise Purchase Orders and provide full information were also noted.

Whilst applauding the reduction of invoices sent out by post, a Member asked whether emailed invoices were appropriate for some client groups e.g. the vulnerable and elderly. Officers confirmed that they were working with social workers to ensure that a more bespoke, sensitive approach was adopted with those client groups.

In response to a Member query on the CCG, it was confirmed that information would be migrated across to the new system. Relationships with NHS colleagues were being forged and maintained, and systems established to ensure that this transition was implemented as smoothly as possible.

It was resolved unanimously 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 2022/23.

67. Update on the response to the External Auditor's value for money opinion (2017/18) and findings of procurement weaknesses

The Committee considered a report on the actions taken in response to the findings of procurement weaknesses identified in the external auditor's value for money opinion.

Members were reminded that in November 2021, BDO had presented their findings on procurement weaknesses, which included a number of recommendations which the Council had already taken forward, having been highlighted by both BDO and the internal audit team. The arrival of the Head of Procurement in January 2022 had been particularly helpful, bringing fresh perspectives and impetus. The Committee noted areas where progress had been made. A key area was the mandatory procurement training for all officers, which was sequenced to take place after the Contract Procedure Rules had been updated.

The Annual Report on procurement activity illustrated the different procurement routes available. It was noted that all waivers over £10K were reviewed and considered by the Director of Finance.

A Member noted that the third recommendation agreed by Committee in November, related to Member training. Officers confirmed that some training on procurement had been included in the Member induction process in 2021, and there would be some specific training later in the year, once the training for officers had been delivered. Officers would be working with Democratic Services colleagues on this issue. Members stressed the importance of all Members accessing that training.
Action required: Director of Finance/ Head of Democratic Services.

It was noted that as part of follow up internal audit work in relation to consultancy procurement had detected a further historic example of a consultancy appointment where the accumulated value exceeds the key decision threshold, but where Committee approval appeared not to have been given in advance. Additionally, there

had been more recent examples of non-compliance with Council policies around information retention, internal approvals and payment incentivisation. Responding, officers confirmed that by its nature, audit work was retrospective, and contracts were selected based on current expenditure, where there was inevitably a time lag. In some cases, there was a lack of evidence to give assurances, but this did not mean that the correct procedures had not been followed. Having a central storage location for contracts over £100K would be helpful going forward in providing this evidence.

The Chief Executive confirmed that the Corporate Leadership Team had discussing the Internal Audit findings on procurement, and compliance with contract management formed part of Directors' performance objectives.

It was resolved unanimously to:

- a) Receive the update on the actions taken and planned in response to the identified procurement weaknesses;
- b) Note and comment on the County Council's actions taken and planned as set out in this report.

68. Draft Annual Governance Statement 2021-22

Members considered the draft Annual Governance Statement (AGS) for 2021-22. This document would ultimately be signed off by the Chief Executive and the Leader of the Council.

The AGS was a statutory document which formed part of the Annual Statement of Accounts. It summarised the extent to which the Council was complying with its Code of Corporate Governance, i.e. the processes and procedures in place to enable the Council to carry out its functions effectively, including details of any significant actions required to improve the governance arrangements in the year ahead. The Internal Audit team had worked with senior managers to ensure areas in their control had been complied with. Whilst the Internal Audit team coordinate production of the AGS, content was led by senior management, especially the Director of Finance.

A minor correction was suggested with regard to a reference to "all major parties", in terms of political representation on the Audit & Accounts Committee, and it was agreed that this should be changed to "all parties".

It was resolved unanimously that the Annual Governance Statement at Appendix A is consistent with the Committee's own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.2 of the report.

69. Internal Audit Annual Report

The Committee considered the Annual Internal Audit Report, which formed part of the evidence supporting the Annual Governance Statement.

The Committee was reminded that the Public Sector Internal Audit Standards required an Annual Report be produced. The Report also formed part of the Quarter 4 report to Committee. The former Head of Internal Audit had given a "satisfactory" assurance, which was a slight reduction from last year's "Strong satisfactory

Assurance". This reduction in opinion reflected a known Payroll control issue that was detailed in the report.

In discussion, it was noted:

- 47 outstanding actions had been highlighted, but 18 had been closed since the last meeting, and many related to Major Infrastructure Delivery, leaving 19 outstanding actions;
- the report also included an update on Risk Management including the Risk Register;
- that the draft Pensions report would be presented to a meeting for the Pension Fund Committee on 10th June 2022;
- In relation to the Payroll issues, it was noted that West Northamptonshire Council provided this service. The Chief Executive advised that he had already scheduled a meeting with the Director of Resources and Assistant Director of HR on this issue, as issues of poor performance of the Payroll service had been flagged up, and those senior officers were following up with West Northamptonshire Council accordingly. It was agreed that this would be recorded as an action so that it could be followed up at future meetings.
Action required;
- There was a discussion on This Land, and a Member suggested that the This Land Board had been unaware of the audit concerns. Officers detailed the two outstanding recommendations in relation to This Land, and advised that This Land were aware of concerns, but they would ensure Members' comments were relayed to the Chair of This Land;
- observing that the level of risk had been reduced on the Corporate Risk Register for the Council having insufficient budget to deliver agreed short and medium corporate objectives (02), a Member observed that the Council still faced many challenges, such as recruitment and retention, and he was surprised this risk level had been reduced. Senior officers assured Members that the budget position and forward forecast was monitored closely by the Corporate Leadership Team, and whilst there were still pressures, the Council was not under the same pressures as during the pandemic, hence the reduction of risk level.

It was resolved unanimously to review and comment on the Annual Internal Audit Report.

70. Audit and Accounts Committee Agenda Plan

Members considered the Committee Agenda Plan.

It was confirmed that the Committee would be updated in due course on the situation with regard to HACT, FACT and ESACT in due course, and that that matter was commercially and legal sensitive.

The Committee noted the Agenda Plan.

71. Exclusion of Press and Public

It was resolved unanimously that the press and public be excluded from the meeting on the grounds that the report contains exempt information under Paragraphs 1 & 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 relating to any individual, and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

72. Manor Farm Update

Returning to public session, the Chair announced that the Committee had agreed unanimously to publish the Mazars report, as redacted, following the meeting, and gave the following statement [News - Cambridgeshire County Council](#)