Audit and Accounts Committee: Minutes

Date: 27 March 2025

Time: 2.00pm – 3.40pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors C Boden, N Gay (Vice-Chair), G Seeff, A Sharp (to 3.15pm), A Whelan and G Wilson (Chair)

Non-voting co-opted member:
M Hussain (via Zoom)

E Larcombe, KPMG External Auditor

216. Apologies for Absence and Declarations of Interest

Apologies for absence were received from Councillor D Ambrose Smith. There were no declarations of interest.

217. Minutes – 30 January 2025 and 26 February 2024 and Minutes Action Log

The minutes of the meetings on 30 January and 26 February 2025 were approved as an accurate record and signed by the Chair.

The minutes action log was reviewed. An update would be provided on PSAA and BDO fees when these were available. **Action required**

218. Petitions and Public Questions

There were no petitions or public questions.

219. Financial Reporting and Accounting Policies

The committee received an update on the status of the 2023/24 audit and the preparatory work taking place on the 2024/25 draft accounts. As part of this the Executive Director of Finance and Resources was responsible for advising and recommending the Council's accounting policies and ensuring that these were applied correctly and consistently. Most of the proposed changes were administrative or reflected changes in the code of practice. The only significant change related to leases. This followed the 2024/25 CIPFA Code's adoption of International Financial Reporting Standard (IFRS) 16 which effectively brought a number of assets onto the balance sheet.

Individual Members raised the following points in relation to the report:

- asked whether the proposed changes to accounting policies would have an impact on the resources available to the Council. The Head of Finance advised

that the underlying contractual arrangement might have a cash outflow, but the accounting policy did not necessarily have an impact on the resources available to the Council.

- challenged the £4k de minimis threshold for accruals and the £10k IFRS de minimis threshold and the justification for those particular figures being chosen. They were interested to know whether increasing those figures would significantly increase the number of transactions falling within them. The Head of Finance advised that the £4k de minimis figures for accruals was reviewed by the Finance team each year and submitted to the Executive Director of Finance and Resources for consideration. The benefits associated with increasing the level were deemed to be marginal in comparison to the amount of work involved. The £10k IFRS 16 de minimis threshold had been benchmarked against other local authorities who were already using this standard and was in line with those. The member asked whether Peterborough City Council had been included in the benchmarking exercise as they felt convergence where possible might be helpful. Officers undertook to check this outside of the meeting. **Action required** The Chief Executive stated that the shape which local government reorganisation would take in Cambridgeshire was not yet known, and that all of the local government bodies within the county remained sovereign organisations until the Government laid Statutory Orders. The county council would continue to share good practice with other local authorities, but it would only converge policies where it was in the council's interests to do so as a sovereign authority.

- commented that aligning the valuation of assets with the dates of the accounts made sense, provided that this would not adversely affect the preparation of the accounts. It was confirmed that the valuation was expected to be deliverable within the proposed timeframe.

- asked what policy dealt with the valuation of PFI leases and any replacement costs not covered by the lifecycle fund. The committee was advised that that this would be covered by the standard capital valuations policy unless it was felt that a more bespoke approach was needed. No PFI leases were due to end before 2030.

The committee noted and commented on the accounting policies for the 2024-25 statement of accounts.

220. Executive Director's Assurance Report: Place and Sustainability

The Deputy Chief Executive and Executive Director of Place and Sustainability's assurance report set out the directorate's functions and key responsibilities and highlighted the key risks identified in his last assurance statement. These included the waste PFI contract, energy projects and challenges around highways. The council's annual governance statement had referenced historic concerns around procurement regulations in relation to the Guided Busway. All current contracts were compliant, and the historic breaches would be reported to the Assets and Procurement Committee in June. Section 4 of the report set out areas of good assurance within the overall control environment and highlighted areas for further improvement. The directorate's business included some inherently high risk areas, and the need for strong assurance around those was recognised. High numbers of complaints were received in relation to highways issues and especially parking, and

additional capacity had been added to improve the way complaints were handled and the timeliness of responses. There were currently twenty two audit actions open across the directorate and updates on each of these were contained in Appendix D. A number of improvements had been made as a result of audit activity. These included revised governance arrangements being introduced around s106 and CIL arrangements, including the establishment of a s106 Board. There were now no s106 agreements that had lapsed and no longer a risk of losing monies due to missing deadlines. Better governance had also been put in place around capital programme management, although some further improvements were still needed around time recording to inform re-charging and to increase the level of information available to policy and service committees. Learning had also been taken around energy projects. The Deputy Chief Executive and Executive Director of Place and Sustainability offered an assurance around the existence of an effective control environment.

Individual Members raised the following points in relation to the report:

- highlighted the lack of a RAG rating for the reporting of injuries, diseases and dangerous occurrences regulations (RIDDOR) or current information on near misses, as the report stated this was last collected in 2023. The narrative stated that lower numbers were better, but in the case of near misses it could be argued that a higher number was better as steps could be taken to avoid a more serious incident. The Deputy Chief Executive and Executive Director of Place and Sustainability advised that the directorate scorecard has been introduced when he joined the council to identify areas requiring focus from a directorate perspective. Information on near misses was collected and reported internally in more detail and a culture of reporting near misses was encouraged. The Chief Executive stated that the corporate health and safety team kept a full record of RIDDOR incidents. During the last 12 months there had been 14 RIDDOR incidents reported for council employees, 25 RIDDOR incidents in schools in Cambridgeshire and 106 near misses. Health and safety was a standing item on the corporate leadership team's weekly agenda and this included any RIDDOR incidents, but this had not yet been disaggregated to directorate level. He encouraged all incidents and near misses to be reported.

- asked about arrangements for bonding or putting in place appropriate financial security measures in relation to highways maintenance and any third party contracts. The Executive Director for Place and Sustainability advised that security was provided with an appropriate bond in relation to s106 agreements, reflecting lessons learned from a previous agreement. The Executive Director of Finance and Resources advised that a policy was in place which required some form of security, and it required his personal authorisation for this not to be enacted. No bonds were allowed outside of the UK.

- noted that the directorate scorecard included the percentage of audit recommendations updated each month, and suggested it might be more useful to track those that were overdue. It also contained quite a few contextual measures, and they asked whether these could be removed. The Deputy Chief Executive and Executive Director of Place and Sustainability advised that audit actions were monitored through the assurance framework and that all existing overdue actions should be resolved during the first quarter of 2025/26. The measures included were subject to an on-going process of review and he judges that there was value in including some of

the more strategic measures like the county's carbon footprint, even though this was not entirely within the council's control.

- noted a recent Government announcement that counties which could demonstrate good performance via RAG ratings might receive extra funding and asked if the Place and Sustainability scorecard would contribute to that. The Deputy Chief Executive and Executive Director of Place and Sustainability confirmed that it would contribute to the data submitted, but that it would be reported to the Highways and Transport Committee first.

- welcomed the steps being taken to improve capital project management and asked if this would lead to earlier and better forecasts around likely outturn slippage. The Deputy Chief Executive and Executive Director of Place and Sustainability advised that the directorate's performance on delivering capital projects prior to 2024/25 had been poor. That was changing. Every project had been reviewed and significant improvements in performance had been demonstrated. As a result, the capital variation budget for 2025/26 had been set at a lower level and all capital schemes within Place and Sustainability would be reviewed during Quarter 1 to establish if any adjustments were required.

- noted longstanding issues around the use of timesheets, and asked whether this issue fell within the remit of the Audit and Accounts Committee. The Chief Executive advised that this would be a policy decision and would need to be considered by a policy and service committee first. His view was that the use of timesheets could be helpful in relation to discrete projects or specific issues, but he would not advocate its wider use. Embedding directorate scorecards would ensure data collection focused on areas where it was of most value. Work was also in hand to map current officer working groups across the council to see what work they were doing, and he anticipated that this would result in around two thirds being disbanded.

The Chair congratulated the Executive Director of Place and Sustainability on his recent appointment as Deputy Chief Executive, and asked whether he was confident that he would have sufficient capacity to discharge both roles. The Deputy Chief Executive and Executive Director of Place and Sustainability stated that the structure, systems and officers in place within the Place and Sustainability Directorate meant that he could give an assurance that he had the capacity to discharge the additional responsibilities of the Depuy Chief Executive.

It was resolved unanimously to consider the assurance provided over the adequacy of the Council's control environment and compliance with corporate governance controls.

221. Internal Audit Progress Report

The Committee considered an Internal Audit progress report to the end of February 2025. This included the number of audit reports issued since the previous meeting, the number currently in draft, updates on the 2024/25 audit plan and whistleblowing figures and a summary of whistleblowing cases. The report also provided an overview of agreed audit actions, noting that the number was down from 81 at the time of the last meeting to 69 currently.

Individual Members raised the following points in relation to the report:

- commented that the number of outstanding audit actions was a crude measure, but it did illustrate a significant improvement in the direction of travel, especially in relation to those actions which had been outstanding the longest.

- asked whether the weekly review of data quality issues relating to the dedicated schools grant (DSG) was still taking place. The committee learned that data quality work remained on-going. A slightly different format was now in use in the Education and Early Years system and data transfer to the test system would be carried out shortly.

- leaned that the schools audit covered work in both the Children, Education and Families Directorate and the Schools Finance team, and that the draft report had been shared with both. Once it was agreed the Service Director: Education would write to schools to share the findings, including examples of good practice and areas for focus.

- asked about the focus and terms of reference of the audit of the council's highways contract that had been deferred from the previous year. The Head of Internal Audit and Risk Management advised that much of the preliminary work to understand the contract had been done previously and that would allow the team to move direct to the second phase of the audit which would look at contract management controls and how effectively the service was ensuring that these were driving delivery. She would be happy to share the terms of reference with the committee when they were issued. **Action required**

- asked about the actions arising from the rental income audit, whether the income was what Internal Audit would expect to see and why basic controls were not in place given the audit actions identified previously. The Head of Internal Audit and Risk Management advised that the previous audit report was issued in 2019. However, due to the impact of the covid pandemic, the previous Audit and Accounts Committee had decided to focus solely on audit actions with a high level of risk. This meant that there were less records available for that period than would normally be the case, and she suspected that the usual follow-up had not taken place. The service had implemented a new process, but it had not yet been linked with the management of rental income and the current audit emphasised the need to link the new property system to the financial system in order to reconcile this income. She understood that this was the last business area where an audit with a double limited opinion issued prior to the pandemic had not been followed up with a full audit.

  learned that the new CIPFA Internal Audit trainees would take part in the established scheme run jointly with the Finance team which enable trainees to rotate through different placements within both teams. This built a good level of skills across a broad area of business and created a strong pool of prospective accountants and auditors.

It was resolved unanimously to consider and comment on the content of the report.

222. Draft Internal Audit Plan 2025/26

The draft Internal Audit plan for 2025/ 26 had been reviewed by the Corporate Leadership Team prior to its submission to the committee. It was based on a risk

assessment by Internal Audit and the views of key officers on where attention should focus. Table 1 set out how the draft audit plan covered the different strategic risk areas, and the balance of risk coverage compared to previous years' audit plans. The draft plan consisted of a core audit plan that was carried out every year and a flexible element based on the current risk assessment which could be amended during the year. More time had been set aside for whistleblowing and counter fraud as part of the core element this time as more time had been required on those areas recently, while it was expected that fewer grant audits would be needed. A small contingency budget had been set aside for the first time to give the flexibility to add extra reviews or to allocate more time to an audit without necessarily needing to remove another audit from the plan. The Chair welcomed the report, but noted that need to recognise that the new committee might have different priorities after the election.

Individual Members raised the following points in relation to the report:

- learned that Internal Audit used timesheets to record the time spent on audits.

- asked about the extent to which core audit work was subject to risk assessment and the steps taken to avoid the same tests being undertaken each year. The Head of Internal Audit and Risk Management advised that some of the elements of the audit plan remained unchanged each year, like support to the preparation of the annual governance framework or grant sign-off requirements. However, there was scope within other core elements to examine different aspects of the business covered. If a system had a double limited assurance the same testing scheme would likely be used in the follow-up audit to look for an improvement, but if it received a good audit opinion they would probably test a different area. With regards to audits of key financial systems run under the Lead Authority model, the lead audit team was rotated where cross-organisational audits were carried out

- asked about the extent to which the statistical validity of IA's tests was evaluated. The Head of Internal Audit and Risk Management advised that this area was not currently the subject of significant work due to the practical constraints around delivering a certain amount of sample testing. The member was comfortable with that response for now, but asked that thought should be given to conducting some statistical analysis in the future.

The Chair asked about the timeliness of the provision of information from partner organisations where common systems existed, noting some historic difficulties obtaining information from West Northamptonshire Council's lead authority functions. The Chief Executive shared this concern, commenting that this should be looked at as part of local government reorganisation. The Head of Internal Audit and Risk Management advised that she was reasonably optimistic.

The Chair asked the external auditor whether the draft audit plan looked reasonable to them. They confirmed that nothing looked inappropriate.

It was resolved unanimously to review and comment on the proposed draft Internal Audit Plan for 2025/6.

223. Corporate Risk Register

The Chair confirmed that the committee had no questions on the confidential appendix to the report.

The Corporate Risk Register was brought regularly for review, and the information it contained this time was the same as that which had been presented to the Strategy, Resources and Performance Committee earlier in the month. Attention was drawn to the reduction in Risk 6, the risk that the council's workforce is not able to meet business need, from 15 to 10, reflecting improved recruitment outcomes across the organisation. A new item had been added as Risk 13, arrangements to support people with learning disabilities result in poor outcomes due to uncertainty of decoupling of funding arrangements via section 75 agreement. This had been escalated from the Adults, Health and Commissioning Directorate's risk register as it was scored at 16 which was above the council's risk appetite. An update was also included on management's approach to local government reorganisation.

The Chair suggested that it would be helpful to include a column in Table 1, which provided an overview of the corporate risk register, showing the target figure as well as the direction of travel. **Action required**

Individual Members raised the following points in relation to the report:

- noted the possibility of a change in member appetite for risk following the May elections and asked how this would be reflected. The Head of Internal Audit and Risk Management advised that reports would be taken to the Strategy and Resources Committee and Audit and Accounts Committee in June/ July in relation to risk management policy and risk strategy and reporting on outcomes from a risk review being carried out by the new Corporate Risk Manager. How risk appetite was set and the tolerances around the level of risk would be key aspects of those reports. They would also set out the respective roles to the two committees in relation to risk management.

- asked whether adequate back-ups were in place to mitigate against the loss of utilities, including electricity (Risk 4). The Chief Executive advised that the council had a tried and tested suite of business continuity and disaster recovery plans which included a clear understanding of which buildings required back-up power. Extensive learning had also been taken from the need to move to a primarily remote business operation model during the pandemic. The council also had the benefit of its Emergency Planning team which would be de-coupling from a shared service with Peterborough City Council the following week as part of measures to ensure in-house capacity.

The report was noted.

224. Agenda Plan

It was noted that the appointment of an independent co-opted member would ensure some continuity of experience following the May elections. A committee induction and training session had been arranged for 22 May 2025 in preparation for the new committee's first public meeting on 4 June 2025.

The Committee agenda plan was noted.

[Chair]