

## AUDIT AND ACCOUNTS COMMITTEE: MINUTES

**Date:** 14<sup>th</sup> July 2015.

**Time:** 14.00 -16.45 p.m.

**Place:** Room 128, Shire Hall, Cambridge

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

**Apologies:** Councillor M Mason

Action

### **142. DECLARATIONS OF INTEREST - None**

### **143. MINUTES**

The minutes of the meeting held on 9th June 2015 were confirmed as a correct record and signed by the Chairman.

*Note: In respect of Minute 138 'Annual Internal Audit Report 2014-15' and the proposed reference to General Purposes Committee to ensure sufficient support was provided to Internal Audit, as this was an LGSS issue, the Vice Chairman had taken this up directly with the Chief Executive. The matter was being looked into by Sue Grace, Director: Customer Service and Transformation.*

**Sue  
Grace**

### **144. ACTION LOG FROM MINUTES**

The Committee noted the completed actions / updates provided in relation to the Minutes from the last meeting as set out in the report. The following issues were raised:

#### **1) Minute 99 Internal Audit Progress report - October 2014 - Safe Recruitment in Schools**

The update indicated that the four schools which had previously been identified as outstanding, did complete and return their self-assessment forms by the deadline given by this Committee. In discussion and bearing in mind the September Committee meeting was required to agree the final Statement of Accounts:

**It was resolved to receive a follow up report to the November Committee meeting from Education / Internal Audit on what lessons had been learnt and identifying ways to improve compliance going forward.**

**K Grim-  
wade / N  
Hunter**

*(Note: see minute 148 included later in these Minutes. As a result of an adverse Internal Audit review report the above requirement was changed to come forward to the September meeting)*

**2) Minute 120 17<sup>th</sup> March Meeting Internal Audit Progress Report - Business Continuity – Moderate Assurance provided**

An update on the outstanding actions would be provided at the September meeting.

N Hunter  
/ S  
Norman

**3) 4c) Minute 119 9<sup>th</sup> June Committee Key Risk 4 – The Council does not achieve best value from its procurement contracts**

As contract management had been identified as the key risk area, the Interim Head of Internal Audit had previously undertaken for Internal Audit to carry out some assurance reviews of procurement management / monitoring during the year.

As part of an update, the Committee agreed that time in the Audit Plan should be redirected to ensure open book reviews were completed in the year, with four areas agreed, as discussed at the meeting.

N Hunter

**4) Minute 124 External Audit Plan – for the Statement of Accounts and Pension Fund Accounts Audits – Approach to Value for Money**

This would be included in the above report from External Audit to the Committee meeting in September.

C Peacock

**5) Minute 134 Annual Risk Management Report**

In relation to all the ongoing actions due to be discussed at the Corporate Risk Group on 4<sup>th</sup> August and reported back to the September Committee meeting **there was a request that the Director: Customer Service and Transformation should be invited to attend and present the updates as she was the Corporate Risk owner. Action**

RVS to  
contact S  
Grace

**6) i) Response on Risk 21 Business Disruption - Action 4 Plan and Implementation of Phase 3 - IT Resilience** – The Committee was pleased to note that implementation had been achieved by the end of May as detailed in appendix 2 of the report. Sam Smith was thanked for the response provided and for attending the meeting.

**7) Minute 135 Assurance Framework AF3 Workforce recruitment and retention** – With regard to adding monitoring of recruitment advertising as an assurance, the Chairman made the point that if the volume of responses to advertisements for particular skills was seen to reduce, then there was an issue that required further investigation.

**8) 9d) Minute 136 Annual Governance Statement**

Customer Feedback Questionnaires – Regarding the questionnaire the Chairman suggested officers should consider including a question “What do we do that you think we ought to do again?” **Action**

N Hunter  
/ S  
Norman  
S

## 9) Minute 139 Integrated Resources and Performance Report

Making reference to the tables in paragraphs 4.2, 4.3, 4.4 and 4.5, several of the budget figures showed considerable increases from the original estimate of children and adult clients compared with the final number. This poor forecasting record had been a recurring theme for a number of years and the Chairman questioned how they were carried out. **Action previously agreed: this was an area for review by Internal Audit.** It was orally reported that this was still an action for Head of Internal Audit to discuss with the Executive Director.

N Hunter

**10)** In relation to information the Chairman had requested in advance of the June meeting on activity data in relation to the above tables, an oral update was provided which was included as appendix 1 to the Minutes for that meeting. There was concern that providing a snap shot of a day appeared to be a waste of resources. **The request to review this approach to see if there was a better way of presenting the information, was still ongoing at the time of the meeting.**

RS  
contact T  
Barden  
for  
update

**11. Page 11 Performance targets - Corporate Priority titled 'Developing our economy' fourth indicator reading 'the proportion of pupils attending Cambridgeshire as schools judged good or outstanding by Ofsted'** - the Chairman had suggested at the June meeting that this was misleading, as it included two sets of activity relating to Secondary and Primary schools in the same indicator. In addition, it also needed to differentiate between Academy and Non-Academy schools, as the former was distorting the figures in a negative way. The action requested was that officers be asked to consider providing a further breakdown between, not only the types of school by pupil age group, but also between Academy and Non-Academy schools.

The response in the July report indicated that General Purposes Committee had discussed and agreed a new set of indicators that now no longer included any measure on the proportion of pupils attending schools judged good or outstanding by Ofsted.

**In discussion there was a request to investigate whether Children and Young People's Committee included a similar indicator, as this Committee would wish to seek assurance that monitoring was undertaken to identify those schools not working effectively. Action.**

RVS  
contact S  
Hey-  
wood

**12. Page 13 Customer Complaints – ETE** – a written explanation on the reasons for the continued under performance had been provided. It was reported that there had been discussion at Economy and Environment Committee that morning regarding that there was no breakdown of the complaints figures to be able to identify street lighting complaints separately. One Member had suggested that the number of complaints for street lighting might be under-represented, taking into account the number of queries Members received from residents.

In response, the point was made that the system only recorded complaints received, rather than queries or suggestions for improvement.

The Committee requested that ETE officers be asked the question of whether all street lighting complaints were included in the system and if not, the reasons. **Action**

#### 145. LGSS DRAFT STATEMENT OF ACCOUNTS

This report presented draft LGSS Annual Report which included the Draft Statement of Accounts for 2014/15 and the Annual Governance Statement. The Committee was asked to note the completion of the draft LGSS Annual Report 2014/15 and comment on it before its submission to External Audit.

Questions raised Included:

- Page 5 – seeking explanation as to why the gross spend line for 2017/18 of £58,889K was considerably lower than the forecast provided in the previous year's Business Plan. In response it was indicated that the business model was based on taking on more partners and the original forecasts had the expectation that LGSS would be taking on a third partner which had had not yet transpired and was the subject of continued negotiations.
- In respect of a query on table 3, page 6 and the reinvestment sum shown of £2091k and a request to expand on what this meant and whether it had been planned, it was explained that this had been drawn down from reserves from the previous year to be used to re-invest in the business. Decisions on this were undertaken by either the LGSS Management Board or the Joint LGSS Committee. **Action: There was a request that the Committee should be sent the 2015/16 LGSS Business Plan.**
- **Page 21 Note 7 Explanation was sought on the end of year debtor position of which 'other local authorities' was showing debt of over £3m** and the action was being undertaken to address it. It was explained that the cut off of the end of the Financial Year meant that some debtors showing as outstanding would have paid after this date. As there was concerns that the figure still appeared to be a large one, **the Committee asked for assurance regarding the procedures in place to follow up on late payers / outstanding debtors**
- **There was a request for Table 8 Page 21 Short terms creditors and receipts to be looked at again, as currently it did not add up and also for explanation to be provided in the note for some of the large increases between 2013-14 and 2014-15.**
- **Note 16 Prior Period Adjustment**

Iain  
Jenkins  
(IJ)

IJ

IJ

It was indicated that as LGSS continued to refine its processes during the year the debtors balance had been reviewed and was found to contain some debtors of the host authorities, which had been included in error and subsequently removed. The Chairman

drew particular attention to the last line reading: "The effect of this restatement to the 2013-14 published accounts is as follows: Debtors -£1,430k Cash +£1430k".

The Chairman highlighted that he did not understand how if £1.4 m was taken out of debtors the effect was an increase in cash balances equating to +£1,430k. Although explanation was provided, it was still difficult to understand, especially as it was also indicated that there had been no compensating adjustment to the Cambridgeshire County Council (CCC) cash figures. **There was a request for a fuller explanatory note on how the cash sum had been calculated to be provided outside of the meeting.**

IJ

- Officer remuneration – **Providing the exact reasons why the number of officers receiving over £50k had increased from 39 to 44 between 2013-14 and 14-15 when the business had not grown in relation to the expectations of the previous year's Business Plan.**
- **The Committee requested that it should be provided with a copy of the KPMG External Audit letter referred to at the top of page 39.**

IJ

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It was resolved to note the completion of the Draft LGSS Annual Report 2014-15 for submission for audit.

#### 146. DRAFT STATEMENT OF ACCOUNTS 2014/15

In his introduction, the Chairman paid tribute to officers involved in the production of the Accounts for both the improvement in the quality of the draft but also for their considerably earlier production, especially when compared with previous years.

The Committee was asked to acknowledge and comment on the attached 2014/15 Statement of Accounts as submitted for audit, ahead of its final review and approval at the Committee meeting on 22<sup>nd</sup> September.

At the request of Pensions officers, , the Committee commenced consideration of the Accounts initially from page 107, the Pension Fund section of the Accounts.

An introduction was provided detailing the key issues in relation to the: increase in contributions; the valuation uplift; the position on both the benefits paid and the net income realised. It was highlighted that while management expenses had increased, this was seen as being good value, reflected in an almost doubling of the rate of return when compared to the previous year as set in the Pension Fund Account table on page 111. (Representing a £2m increase in the fees for an additional £100m increase to the contribution to the Fund's value).

Comments from Members / issues highlighted included:

- Page 115 - reference to John Dryden House required a postcode

Paul

added. **Action**

**Tysoe**

- Page 117 - in relation to the reference on performance related payments to fund managers, there was a query on whether the increase in performance was down to the fund managers, or the upturn in the economy. In response, it was indicated that the officers believed that they had a good set of fund managers and two previously underperforming fund managers had been replaced in decisions made by Members sitting on the Pensions Investment Sub Committee. The value of the Pensions Fund had increased by £600m over the three years and the performance was above average, having been placed 33<sup>rd</sup> out of a 100 pension funds benchmarked.
- Page 121 - With reference to the Cambridge and Counties Bank, officers highlighted that its valuation had increased from £14m to £17.2m. The Chairman pointed out that this was inconsistent with the valuation / text shown on this page and needed to be consistent. **Action** **P Tysoe**
- Page 125 16a) table titled 'reconciliation of movements in investments and derivatives' – it was highlighted that there was an asset line missing which would be rectified in the final version. **Action** **P Tysoe**  
**P Tysoe**
- Under title 'Interest Rate Risk Sensitivity Analysis' reference to "BPS movement" needed explanation. **Action** **P Tysoe**
- Page 139 – With reference to a deficit of £728m highlighted in the 2013 Actuarial Valuation (compared to £555m in 2010) it was suggested that this should be highlighted as a significant figure. **Action** **P Tysoe**
- Page 142 - Table 24 Additional Voluntary Contributions Highlighting the fall in the market value for Equitable Life in the two years a more detailed explanation was requested to be provided. **Action** **P Tysoe**

The Pensions officers were thanked for their attendance.

The Chairman now moved the meeting back to the beginning of the Accounts.

In the officer introduction it was explained that the Accounts were in draft format at the current stage as they were in the process of being audited by PWC

Highlighted for the Committee's attention from the review were:

- the significant decrease in Other Operating Expenditure which wholly related to a much smaller loss on disposal of fixed assets in 2014/15 as detailed in paragraph 2.2.6 of the report,

- providing details of the pension deficit to the Council, as detailed in paragraph 2.2.10. with the Committee noting that the position was less favourable than it had been at 31<sup>st</sup> March 2014 with an increase to the value of the Fund's net liabilities from £438m to £559m at the end of March 2015. As a result, a question was raised regarding whether this deficit was featured on the Corporate Risk Register. In reply it was indicated that it was not shown currently, but that the Pension Fund Committee had asked for it to be discussed at the Corporate Risk Group being held in August.
- one of the big changes in the Accounts was that Foundation school assets should now be included (representing 7 schools) within the Council balance sheet, whereas Voluntary Controlled School assets should not. The detail was provided in Note 42 on page 103.

Members comments / issues raised included:

- |  |                                |
|--|--------------------------------|
| <ul style="list-style-type: none"> <li>• Page 8 in relation to text under the heading '2 Capital spending and financing' and the £80.8m of the revised capital budget unspent at year-end, it was agreed that <b>reference should be made to the proportion of this represented by the Science Park Station. Action</b></li> </ul>   | <p><b>C Yates<br/>(CY)</b></p> |
| <ul style="list-style-type: none"> <li>• <b>Page 22</b> – with reference to nearly £4m being taken out of earmarked reserves, <b>there was a request to provide the Chairman with details outside of the meeting. Action:</b></li> </ul>   | <p><b>CY</b></p>               |
| <ul style="list-style-type: none"> <li>• Page 31 – There was a request for clarification on if there were any other vehicles and plant other than Waste Private Finance Initiative (PFI) as this was the only reference shown. It was indicated that other plant / vehicles were not recognised in the Accounts. <b>The wording would be looked at in this section and the next section titled 'Non Current Assets held for sale'. Action</b></li> </ul> | <p><b>CY</b></p>               |
| <ul style="list-style-type: none"> <li>• Page 60 Assets held for sale – <b>need to check from this table what they represented and why they were included in these categories. Action</b></li> </ul>   | <p><b>CY</b></p>               |
| <ul style="list-style-type: none"> <li>• Page 69 – <b>A note was required for Fees charges and other services</b> as there was a huge difference in the figures shown between 2013-14 and 2014-15 <b>Action</b></li> </ul>   | <p><b>CY</b></p>               |
| <ul style="list-style-type: none"> <li>• Page 71-72 Trading Operations It was explained that the deficits for the Catering, Cleaning etc. service and Grafham Water Centre were a result of late year pay awards which had been backdated. The question raised was whether these should have been anticipated and built into the budget as part of the budget planning process.</li> </ul>   |                                |
| <ul style="list-style-type: none"> <li>• Page 74 Table with Council senior employees - query on why only the Chief Executive was named and John Kane LGSS as well as</li> </ul>  |                                |

other senior band officers were not included, as well. It was explained that only officers over a certain salary had to be included and John Kane was a Northamptonshire employee.

- Page 78 under table headed 'Capital Grants receipts in advance' - query about why Section 106 payments was included, but nothing included for CIL. **Action** CY
- Page 90 - part of the Council's obligation should be set out as a statement **Action** CY
- Page 92 – the term 'projected unit credit' should be explained. **Request to check 1 April 2014 date regarding estimates on the latest full evaluation of the scheme. Action** CY
- Page 93 - first table - it was suggested that a figure of 4.6% rate of increase in salaries in 2013-14 and 4.3% in 2014/15 was something that should be challenged or an explanation provided. **Action** CY
- Page 97 – first line detailing the authorised limit for 2014/15 and the next line detailing the operational boundary figure. **It was suggested that there should be a third figure - total debt £382m Action** CY

It was unanimously resolved:

To acknowledge the 2014/15 Statement of Accounts attached to the officer report as submitted for audit, ahead of its final review and approval at the Committee meeting on 22<sup>nd</sup> September 2015

#### 147. CODE OF CORPORATE GOVERNANCE

The Code of Corporate Governance required to be reviewed on an annual basis to ensure it continued to be relevant and effective to support the principles of public life as well as to comply with guidance issued by the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives.

The main issue raised was to challenge where the evidence was to support the information provided in the column header 'How Cambridgeshire County Council Achieves the Principle' as the response to each of the 'Supporting Principle' statements. In reply, the Head of Internal Audit indicated that to provide an audit comment against each statement would be a substantial workload for his officers. He therefore proposed a selective approach to provide the Committee with greater assurance that the statements were more than just aspirations. This proposal was accepted on the basis that a further report should come back with options. **Action**

**Neil  
Hunter**

It was resolved unanimously:

- a) The Audit and Accounts Committee approved the updated Code of Corporate Governance; and
- b) That a report be received at the next meeting presenting options to assess the effectiveness of the statement on how the County Council achieved the principles around corporate governance.

#### **148. INTERNAL AUDIT REPORT TO 30<sup>TH</sup> JUNE 2015**

The report set out the main areas of audit coverage for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2015 and the key control issues arising.

Appendix 2 provided details of the updated 2015/16 Audit Plan providing the status of each planned review.

Table 2 provided details of the final assignments and the assurance opinion given relating to the following:

- a) Public Health - Health Checks - Moderate assurance provided.
- b) Children Family and Adults (CFA) Governance of Pupil Premium and Pupil Premium Plus 2014-15 - Substantial Assurance provided.
- c) CFA Safe Recruitment (2 individual schools) – One Substantial and One Moderate assurance provided
- d) CFA Purchasing and Payments (1 individual school) - Moderate assurance provided
- e) ETE Use of Section 106 Capital Receipts and the Community Infrastructure Levy - Moderate assurance provided.

The Head of Internal Audit indicated that the above reviews had not found anything to give greater concern.

Definitions of levels of Audit Assurance were set out in Appendix 1 with summaries of the finalised reports included in Appendix 3 of the report.

- Section 4 provided details of the Fraud and Corruption update and included progress on police referral outcomes and referrals to the Service.
- Section 5 provided details of outstanding Management Actions. This highlighted that while there were currently no outstanding fundamental recommendations, 23 significant recommendations were still to be implemented. These were currently the subject of a review by Internal Audit to determine if they were still relevant and merited the significant categorisation.

Issues raised by Members included:

- In respect of Appendix 2 Audit Plan updates, the Vice Chairman made the point that for those in quarter 2 where there was the possibility that they would require longer, these should be identified, as it was difficult to assess whether they were expected to be on target. It was clarified that those shown as taking place over more than one quarter involved a number of individual audits.

- The main serious concern for the entire Committee was the fact that the recent safe recruitment review of two schools had resulted in only one school receiving substantial assurance, with the other identified as having failed to comply with Council safeguarding policies / guidelines. **On this basis, the joint review on ways to improve the compliance of schools undertaking recruitment to ensure they took account of Council safeguarding policies required to be brought forward and presented to the September meeting, Action**

RS to  
contact  
KG

**The Chairman indicated he would also speak to the lead officer to ask what immediate action could be taken.**

Cllr  
Shellens

- The Chairman suggested another issue for review was in relation to testing whether the Council was a transparent authority. He suggested that **the Committee should be provided with a summary of the 12 monthly spend of the authority showing the percentage of payments that were published as part of the payments over £500 required to be published on the Council website. Action**

Ian  
Smith

It was resolved to:

- a) note the progress being made against the approved Internal Audit Plan as detailed in Appendix 2.
- b) Approve the in-year changes to the Internal Audit Plan.
- c) Note the material findings and themes identified by Internal Audit reviews completed in the period as shown in Appendix 3 (summary of moderate and lower assurance).

The report was noted.

#### **149. DRAFT AGENDA PLAN**

The Draft Agenda Plan which would be updated for the additional reports requested during the current meeting was noted.

#### **150. DATE OF NEXT MEETING 2.00 p.m. TUESDAY 22<sup>nd</sup> SEPTEMBER 2015**

Chairman  
22<sup>nd</sup> September 2015

