

Audit and Accounts Committee

Annual Report

1. Introduction

The Audit and Accounts Committee exists to provide independent assurance on the adequacy of the Council's risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit and Accounts Committees within Local Authorities are necessary to satisfy the wider statutory requirements for sound financial management.

The Audit and Accounts Committee plays a vital role in ensuring that the residents of Cambridgeshire County Council are getting good-quality services and value for money, i.e. economy, efficiency and effectiveness.

The Audit and Accounts Committee has seven members and has met six times since the last annual report. All meetings have been held in public.

The Committee has been structured around the following responsibilities:

- Considering and approving the Annual Statement of Accounts;
- Ensuring that the financial management of the Council is adequate and effective;
- Ensuring that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk;
- Reviewing annually the Council's system of internal control and agreeing an Annual Governance Statement;
- Ensuring that the Council has an adequate and effective Internal Audit function.

During 2014/15, Internal Audit carried out 28 audit reviews, making 88 recommendations considered to be 'significant' or 'fundamental'. All of these recommendations have now been implemented by management.

2. Proactive Work of the Committee

The following section provides a summary of the proactive work undertaken by the Committee over the last year. This aspect of the Committee's work is vital,

and has assisted in improving the effectiveness of the Council's overall corporate governance arrangements.

2.1 Central Library Enterprise Centre (CLEC)

On the 21st July 2015, Full Council passed a motion agreeing that this Committee should undertake a review of the process by which CLEC proposals had emerged and were developed, in order to identify recommendations on how the process could be improved.

The Committee made the recommendation that this report was researched and produced by Internal Audit, with the exception of the section on Spokes which was deemed too "political" and was compiled by the Chairman. Key recommendations to improve processes were identified as a part of this review and were based around seven key areas: Commercial proposals protocol; confidentiality; project management; options appraisals, market research and procurement; engagement with members; public consultation and business cases. The subsequent report documenting these findings was unanimously approved by Full Council on the 13th October.

The Committee will continue to be involved with the implementation of these policy improvements. The Committee has requested that implementation updates will become a standing item on its agenda and will receive assurances that the new procedures are routinely followed. The delivery of these actions is already underway, with CLEC review actions on the agenda for the meeting of the Member Working Group on Consultation on 3rd November.

2.2 Safe Recruitment in Schools

The November 2014 Committee meeting received an Internal Audit Report on Safe Recruitment in Schools. This was following the 2012/13 audit, which saw the overall assurance rating for this area drop below "substantial" assurance. The main finding of this report was that schools' performance in safe recruitment had declined across the board. Members noted that, with regards to the recruitment of teachers, schools were generally very good; however they often implemented a different system of recruitment for other staff. It was also found that only two-thirds of schools had returned their self-assessment forms. Following persistent requests from the Committee, eventually all schools returned these forms and some even commented that they acted as a useful reminder/checklist for schools.

The Committee continued to be involved in improving Safe Recruitment in Schools. At the July 2015 Committee meeting, it was reported that a recruitment review of two schools identified one as having failures in relation to compliance with Council safeguarding policies/guidelines. The Committee

requested an urgent review into the ways to improve the compliance of schools undertaking recruitment, taking account of Safeguarding policies.

From this review requested by the Committee, a number of improvements have been made to improve practice across all schools. This includes;

- The creation of area-based workshops to address the issues discovered in the 2014 audit;
- An instruction that all interview panels must include someone who has undertaken Safer Recruitment training.

Furthermore, the Safer Recruitment Model Policy has been updated and is being sent to all schools. When an audit now identifies a concern within a school, a warning letter will be issued, and a subsequent full safeguarding review carried out if it is deemed necessary.

The Committee will continue to oversee ongoing work in this area and will receive continued assurance over this sensitive area, through the work Internal Audit is carrying out in schools. Assurance in 2015-16 will be given by Schools Financial Value Standards (SFVS), Thematic Audits which will cover in detail all high risk areas, and Targeted Audits which will focus on “Schools in Difficulties”.

2.3 Delayed Transfers of Care Update

A report presented to the Committee provided an update on progress made to improve the number of hospital bed days lost as a result of Delayed Transfers of Care attributable to Adult Social Care. This was in response to the June 2014 Committee meeting, which reported the Council’s commitment to a 9% reduction in lost bed days due to delayed discharges. This review was important because, where a delay is attributable to Social Care, the Council may be liable to pay reimbursement (a fine) to the hospital, depending on the individual arrangements in place. In addition to the risks of financial penalties there is also the risk of reputational damage if there is a perception of poor performance.

This report set out actions to enforce more robust reporting and monitoring arrangements and the role of Internal Audit in supporting these arrangements, the sharing of best practice and the joint working with the NHS and other partners. As a result, the Council undertook several actions to improve performance, including the establishment of a countywide operational steering group, which involves Discharge Planning Managers, to monitor performance in each of the hospital systems and to share best practice to ensure accurate reporting and identifying areas of concern.

Bed-day delays attributed to Adult Social Care have decreased from 9,626 (Aug 13 - Jul 14) to 8,103 (Aug 14 - Jul 15), an improvement of 15%.

Over the same period, NHS bed-day delays have increased by 57% from 15,998 (Aug 13 - Jul 2014) to 25,056 (Aug 14 - Jul 15).

This area has received recent high-profile publicity with warnings that nationally 30,000 beds spaces could be lost as a result of funding squeezes, as providers withdraw from the market place.

2.4 Risk Management

In accordance with best practice, the Council operates a risk management approach at corporate and service levels, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved. The role of this Committee is to provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment.

The Committee has received four risk management reports throughout the year alongside the Corporate Risk Register. The Committee has the opportunity to query individual risks within the risk register, which are then reported back to the Corporate Risk Group and Senior Management Team (SMT) for further review. The annual report which was presented to the Committee in June outlined the Key Corporate Risks faced by the Council, the outcome of the annual review of the Risk Management Policy and the development of the Council's risk management approach during 2014/15, as well as proposed developments for 2015/16. Feedback from this was provided by the Director: Customer Service and Transformation, ensuring the Committee's continued involvement with the analysis of the Corporate Risks faced by the Council.

2.5 Value for Money

The November 2014 Committee meeting received a report detailing the plans of the reviews to be undertaken in 2014/15 to obtain assurance in relation to the effectiveness of commissioning projects. From this, discussions were held between the Head of Internal Audit and the Senior Management Team in respect of the Business Planning process and the significant reviews of services and budgets surrounding how to ensure value for money. From this, it was agreed that the practical way forward would be for Internal Audit to provide independent assurance on major projects, and then to extend an embedded assurance approach to specific key Council transformation projects.

The Committee acknowledged that Value for Money studies could be very specific and involve in-depth reviews of a service area and would therefore take up a lot of time for Internal Audit. However, this report established the critical importance of the potential major benefits to the organisation through these reviews.

2.6 Corporate Governance

The Code of Corporate Governance must be reviewed by the Committee annually. It is critically challenged to ensure it continues 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. This year's Code of Corporate Governance was reported to the Committee on 14th July 2015. The Committee raised a concern regarding where the evidence was to support the information for 'How Cambridgeshire County Council Achieves the Principles listed'. A selective approach to provide the Committee with greater assurance that the statements are not merely aspirational was agreed.

The Committee will continue to be involved in the development of the options to assess the effectiveness of the statement on how the County Council achieved the principles around corporate governance. This will establish that Cambridgeshire County Council is fully committed to achieving the high standards expected of a public sector body.

2.7 Continuous challenge to the Risk Register

Throughout the course of the year, the Committee has consistently challenged and recommended change to the Corporate Risk Register. The Committee has been proactive in establishing that new responsibilities also create new risks and that this should be reflected in the register. For example, the November Committee meeting recommended that a new risk centred on the City Deal should be introduced to the Risk Register. The Committee has also repeatedly challenged the relevance of current risks and has provided alternative descriptions and outcomes to ensure that the risk register continues to be applicable to all potential risks. Further to this, the Committee has proposed that future report recommendations should invite it to comment on the Risk Management Report and Policy, rather than simply endorse it.

3. The Committee's influence over Internal Audit

A key part of the Committee's role is to both challenge and support the Internal Audit service. During 2015/16 the Committee has supported a new approach and focus by the Internal Audit team. This new approach ensures

that the planned coverage is continually assessed to direct audit resource towards those areas of emerging risk, rather than a static plan agreed some months before. Such areas include both counter-fraud and an increasing awareness of VFM within the organisation.

The Committee has taken a very proactive role by both suggesting pieces of work for Internal Audit and contributing ideas towards the detailed brief. Such areas include safer recruitment, the Central Library enterprise centre and home to school transport.

4. Future Focus for the Committee

The 2015/16 Business Plan highlights that over the next 5 years the Council will continue to face unprecedented financial challenges coupled with significant growth, affecting both demand for services and the level of resources the Council has available to fund their provision.

Delivering statutory services within this context will continue to be incredibly challenging – and the Committee will seek to ensure that those services continue to be delivered with integrity and in a way that is accountable, transparent, effective, efficient and inclusive.

This Committee carries out its responsibilities by directing and monitoring the efforts of Internal Audit. In future, given the financial situation, there will be ever-increasing emphasis on enabling the Council to provide a higher level of service to our customers within a defined budget.