

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: Tuesday, 29th July 2019

Time: 2.00 pm – 5.15 pm

Place: Kris Viersen Room, Shire Hall, Cambridge

Committee Members Present:

Councillors: I Bates (substituting for Councillor P Hudson), N Kavanagh (substituting for Councillor S Crawford), M McGuire*, T Rogers (Vice Chairman), M Shellens, (Chairman), D Wells* and J Williams*

*For part of meeting

Apologies: Councillors S Crawford and P Hudson

Officers Present:

Amanda Askham, Director of Business Improvement and Development (Minute 203)	Fiona Mc Millan Joint Director of Law and Governance
Sarah Haig HR Manager (Minute 200)	Rob Sanderson Democratic Services Officer
Mark Hodgson Associate Partner Ernst and Young LLP (Minutes 197-199)	Anna Syson, HR Business Partner (Minute 200)
Graham Hughes Place and Economy (Minute 204)	Julia Turner Interim Head of Transformation (Minute 201)
Neil Hunter Deputy Head of Internal Audit and Risk Lead Minutes (Minutes 204-206)	Duncan Wilkinson Chief Internal Auditor (Minutes 204-206)
Tom Kelly Deputy Section 151 officer	Lou Williams Service Director Children and Safeguarding (Minute 202)

192. DECLARATIONS OF INTEREST

Councillor Bates declared a non-disclosable interest in Item 8 titled 'Internal Audit Report- Ely Bypass Project' as the Chairman of the Economy and Environment Committee.

193. MINUTES OF THE AUDIT AND ACCOUNTS COMMITTEE DATED 28TH MAY 2019

The minutes of the meeting held on 28th May 2019 were agreed as a correct record and signed by the Chairman.

194. MINUTES OF THE AUDIT AND ACCOUNTS COMMITTEE DATED 11TH JUNE 2019

The minutes of the meeting held on 11th June 2019 were agreed as a correct record and signed by the Chairman.

195. MINUTES ACTION LOG

Updates and issues raised included:

MINUTES 11TH JUNE

A) Item 1 – Minute 188 Debt Recovery – Level of Outstanding Debt Update b) Page 6 tables showing invoices raised and cleared

Democratic Services would be going back to the Head of Revenue and Benefits as the reply provided did not clarify the original question raised regarding whether the % shown by volume was invoices processed that month or due that month. *(post meeting note: it was clarified with the officer post meeting that the figure is the total raised and cleared as a year to date, so all in year only. Action now completed).*

MINUTES 28TH MAY

B) Item 7 Minute 178 Minutes Action log -Item 6 Page 28 – Estates and Building Maintenance Inspections

Regarding checking that the Chairman was still receiving monthly updates on progress on updating the leases register, Democratic Services were able to orally confirm that three updates had been sent (May, June and July) the latter having been sent on 26th July 2019. **(Action completed).**

C) Item 10 Minute 183 Community Transport Action Plan Update b) paragraph 3.3 Social and Education Contract Management Checking

Regarding the follow up on whether there had been any known breaches which the Deputy Head of Internal Audit – Lead on Risk had undertaken to ascertain, an oral update from Neil Hunter indicated that as set out on the action log, Internal Audit had approached the SETT Team for the information and at the time of the meeting they were still awaiting a response. **This was therefore still an outstanding action.**

D) Item 31 reading ‘Annual Review of Outcomes and benefits from the grant awards will be reported to E and E Committee’

In response to a request for the report to be sent to the Chairman when available, Democratic Services had sought a response from the Head of Community Transport *(Post meeting note: the original reference in the report*

*was no longer appropriate as now that the Combined Authority had taken over responsibility for grant awards for Community Transport, E and E Committee would no longer be receiving such reports. **Action closed***

Minute 185 Integrated Resources and Performance Report for the year ending 31st March 2019

E) Item b) Page 119 Table on the number of service users supported by key care budgets – agreed to share the Children and Young People Finance and Performance Report which contained more detail

The report was circulated by Democratic Services on 22nd July. **Action completed.**

F) Item c) Page 148 - Abbey Meadows School - more information requested on why the substantial works required to be undertaken had not been identified earlier

The Committee had been sent an e-mail earlier that day. This indicated that the previous round of condition surveys was in 2012 and most of the issues were not known at that time. The items picked up were highlighted in a specific, targeted condition survey undertaken as part of the due diligence process when Abbey Meadows was known to be converting to an Academy. The current plans were to undertake the works during the summer of 2020. **Action request completed.**

G) Item 15 – Integrated Resources and Performance Report to end of December 2018 - Minute 169 - LGSS Law dividends more detail on why they had not been received for two years – Original action from 28th March 2019 Committee meeting

The Committee had been sent an e-mail earlier that day which explained that LGSS Law made a loss in the year ending March 2018, and had retained losses during 2019. In those circumstances, with a negative balance sheet, it was not possible for the company to pay a dividend. The company was targeting break-even results in 2019/20, after a significant turnaround to reduce costs, increase prices ahead of inflation and substantially improve fee-earner utilisation. After a period of management changeover at the firm, the company was now breaking even on a month to month basis, or delivering a small profit. However there would need to be an increase in external work delivered in order meet the budget, and the company would need to return to sustained profitability before paying a dividend again. With this update, **Action completed.**

With the updates provided as set out above, the Minute Action Log was noted.

196. PETITIONS AND PUBLIC QUESTIONS

None received for either by the County Council Constitution deadlines.

CHANGE IN ORDER OF THE AGENDA

In order to allow the External Auditor to attend another meeting and with the agreement of the Committee, the Chairman changed the order of the agenda to take Item 10 '20128-19 Cambridgeshire Pension Fund – External Audit Results report' Item 11 'Pension Fund Accounts' and Item 12 'Statement of Accounts Update' as the next items on the agenda.

197. 2018-19 CAMBRIDGESHIRE PENSION FUND – EXTERNAL AUDIT RESULTS REPORT

Mark Hodgson the external Auditor Lead for Ernst and Young (EY) in presenting the report thanked the Pensions and Finance Officers for their excellent co-operation during the Audit. In his presentation he drew attention to the following:

- **Materiality** – based on their material measure of gross expenditure on provision of services, EY had updated the overall materiality assessment to £31.9m. From the work undertaken at planning in relation to prior year audit findings and respective file review, they had concluded performance materiality could be increased from 50% to 75% of the overall materiality of £23.9m, with an updated threshold for reporting misstatements of £1.6 million.
- **Page 200 – Significant risk – Misstatement due to error or Fraud** – None identified.
- **Page 201 Investment Income and Asset Valuations - Investment journals – key areas where management had the opportunity and incentive to override controls** – None identified.
- **Page 202 Unusual Investments Cambridge and Counties Bank and Cambridge Building Society** – having employed an expert external auditor to review these, EY were comfortable with the approach taken and had nothing to bring to the Committee's attention.
- **Page 203 Valuation of Complex Investments** – Nothing to bring to the Committee's attention.
- **Page 2014 New ERP System** – having tested opening and closing balances EY had not identified any issues. The same amount of work would not be required in this area in year 2.
- **Pension Liability Assumption** – as noted in the Executive Summary, a national issue (known generally as the McCloud ruling) had resulted in a late change to the pension fund accounts and IAS26 fund liability disclosure regarding the ruling on age discrimination arising from public sector scheme transitional arrangements. The Supreme Court on 27th June rejected the Government's appeal. The Actuary had estimated the impact of the case on the present value of promised retirement benefits

increasing the value by £9m which had been disclosed in the Pension Accounts included as the next item on the agenda under note 20.

- **Page 206 set out details of new Accounting standards required to be followed.**
- **On the Executive Summary Page 197 – status of the Audit** – an oral update indicated that as discussed during the presentation the Mc Cloud / Guaranteed Minimum Pension issues had now been resolved and IAS26 disclosure testing and Investment income testing completed. There were no corrected mistakes and no uncorrected mistakes or issues identified from the work on the Audit requiring management responses. The next four bulleted actions listed still required completion by EY.

As no significant changes need to be brought to the Committee's attention, EY would be able to issue an unqualified Audit opinion on the Pension Fund accounts.

The Chairman and Vice Chairman both extended their gratitude to the Pensions Team and EY for the work involved and for being able to bring forward the accounts for approval within the required timescale. The Chairman indicated that they were the 'cleanest' set of accounts he had seen since undertaking the chairmanship of the Committee.

It was resolved:

To note the report from EY.

198. PENSION FUND ACCOUNT

The Pension Fund accounts was presented for approval by the Committee and followed on from the previous report. As the External Audit Report had not identified any issues requiring a management response, no cover report had been deemed necessary by the Pensions Team.

Issues raised in discussion included:

- Page 235 – Notes to the Pension Fund Accounts – regarding the table providing details on members included in the Fund, the Chairman expressed surprise that the number of County Council employees showing at 31st March 2019 compared to 31st March 2018 had increased, as he would have expected the number to have fallen due to the effect of redundancies. He asked that this be checked. **Action: Democratic Services to raise with Pensions Officers**
- Asking for a definition of 'Undecided Leavers'. The Vice Chairman indicated that these were employees who had not yet decided when

they would leave employment and so their details could not be estimated in terms of including the information in the accounts. **Action: Democratic Services would seek a formal definition from Pensions Officers outside of the meeting.**

- In reply to a question on what the costs were for activities associated with the Access Pool, in terms of administration, these were currently £120k per participating authority.
- The Chairman indicated he had a few queries on certain figures that he would take up with Pensions Officers outside of the meeting.

Having considered its contents it was resolved unanimously:

To agree the Pension Fund Accounts for the year ended 31st March.

199. 2018-19 STATEMENT OF ACCOUNTS AND CLOSEDOWN UPDATE REPORT

The Chairman had agreed to take this update note which had not been available at the time of the original agenda despatch as a late item under the discretionary powers available to him under the Local Government Act 1972 as the Committee required to be appraised of progress and the proposed, revised timescale.

The full Council accounts had not been able to be completed and available for consideration and sign off at the current meeting for the reasons set out in the latest note which provided details of the progress being made. The update proposed that they should be presented to the next Committee meeting scheduled for 24th September. Mark Hodgson confirmed this revised date as an appropriate timeframe.

As an oral update it was reported that an objection to the 2018-19 draft accounts had been received and would be considered in the normal way.

The Update was noted.

200. CONSULTANTS POLICY REVIEW – QUARTER 1

As the report presenters were already at the meeting and as they were short reports, this report and the report listed after it (Transformation Fund Monitoring Report) were moved up the agenda and taken next in the running order.

In 2018 an internal audit was undertaken on the use of consultants which had identified concerns about compliance with the Consultant policy and a

potential risk that the Council was not achieving value for money. As a result, the Consultants Policy has been reviewed, strengthened and approved by the Council's Joint Management Team (JMT) in March 2019. The revised Policy had been included as Appendix 1 to the report.

The current report outlined the implementation of the Policy and provided monitoring information on its operation in Quarter 1 (April to June) highlighting that 26 consultants had been engaged during the period. 11 assignments had come to an end or as part of the review. At 30th June there remained 15 engagements, each with a planned end date. The details of consultant placements and their expected end dates were provided in tables in the report.

Issues raised included:

- What had been done to improve the cost codings of consultants to ensure that all had been taken account of, as previously they had been difficult to identify? The Policy now required all consultant costs to be included in a specific code on ERP Gold.
- Regarding the Historic Environment Placement on Museum advice, there was a request for more information to be circulated outside of the meeting on the museum involved, and the work being undertaken.
Action: Sarah Haig / Anna Syson
- Whether there was a list of consultants that Directors could refer to when considering such engagement? This was either provided by OPUS LGSS or the Procurement framework. Attention was drawn to the diagram in Appendix 1 to the Policy titled 'Process to engage a consultant'
- In reply to how the consultant employed for LGSS Digital Services was being paid, this was through Mosaic engaged by OPUS LGSS.
- In reply to a query on how information was obtained on the number of agency staff employed, the information could be provided by OPUS LGSS. There was a request that information on agency / temporary staff should also be included in the next update report, which it was confirmed would come forward to the Committee's November meeting. On agency staff e.g. social workers, IT specialists, this should include details of numbers employed by directorates, length of engagement and the total spend. **Action: Sarah Haig / Anna Syson**
- On page 86 table listing the two ongoing consultants in the Schools intervention Service, it was clarified this was in relation to providing schools with resources and advice to help with required improvements following OFSTED inspections. Each of the five associate advisers referred to brought in different specialisms and were brought in as and when required.

- A question was raised on whether there had been cases of staff having been made redundant and consultants employed to undertake the work of the departed staff and whether any analysis had been undertaken on whether the Council gained or lost financially by such activity. While no analysis had been undertaken, when the engagement of a consultant was being proposed, the new system required information to be provided on the tasks to be undertaken.

It was resolved:

- a) To note the current summary on the use of consultants and the implementation of the new Consultants Policy.
- b) To receive the next update at the November Committee meeting.

201. TRANSFORMATION FUND MONITORING REPORT QUARTER 4 2018-19

This report outlined progress in delivery of the projects for which transformation funding had been approved at the end of the fourth quarter of the 2018-19 financial year. Paragraphs 4.2 and 4.3 providing details on additional temporary staff employed on the projects and the redundancy figures for the last three years with paragraph 6.1 providing details of the Transformation Team resources which was in response to questions raised at previous meetings. It was confirmed that there had been no redundancies as a result of the current Transformation projects.

Regarding the two projects showing as red the reasons given were as follows:

- Dedicated Social Work and Commissioning Capacity Learning Disability C/R .5.003 – This was a phasing issue but was now expected to provide an additional £800k of savings and with the addition of this amount the overall rating would no longer be rated as red.
- Housing Review C/R.5.006 – This project had not yet started but would not be red in the current financial year and was just a phasing issue as expected savings had been delayed and money had to be spent upfront in advance of savings being made. No investment had yet been drawn down for the project. Two additional projects were agreed at the General Purposes Committee in respect of a) supporting Resilience and Independence in SEND Environment (RAISE) and b) approving the drawdown of £147,000 to support the development of the acquisitions and investment activities outlined within the Commercial Strategy 2019-21. There were two to three further projects in the pipeline.

In discussion:

- One Member suggested that in the drive to save money through transformation projects there could be a longer term consequence of decisions made which could result in greater costs to the Council. He

asked whether when agreeing a project the broader issues were looked at in terms of overall long term cost. It was explained that, that was one of the reasons why some projects were delayed. The officer would discuss with the Member outside the meeting any particular issues he had and also provide more detail regarding the delayed project referred to. **Action: Julia Turner to liaise with Cllr Kavanagh.**

- The Chairman asked what was the outcome, if any, of the pilot undertaken at Ely on SEND Total Transport? Officers were currently looking at transport provision for all children across Cambridgeshire and Peterborough and this going forward might require more resourcing.
- A presentation suggestion by the Vice Chairman was that projects should not be allocated money and were not listed and until they were ready to go as this would avoid some showing as red.

It was resolved:

To note the report and the impact of transformation fund investment across the Council.

202. SERVICE DIRECTOR REPORT CHILDREN AND SAFEGUARDING

Further to a request at a previous Audit and Accounts Committee a report was received which had already been agreed at the Children and Young People Committee on 9th July which updated progress on key performance areas within Children's Services and the work undertaken in respect of the development of the Family safeguarding model. The cover report provided details of the discussion undertaken at that Committee.

In presenting the report the Service Director, Children and Safeguarding Lou Williams highlighted the progress made following the large scale restructure of Children's Services undertaken in November / December 2018. In January they had received an inspection by OFSTED which had given a good but required improvement rating and a good rating for management. OFSTED had revisited the Service six weeks ago and indicated that it was progressing well and moving in the right direction.

It was highlighted that the Family Safeguarding Model had secured additional Government funding for the first year of £2.4m to pay for additional practitioners and subject to being able to show progress was in line to receive a further £1.6m in year 2.

There were still issues with recruiting experienced social workers. Officers were looking at possible incentive schemes such as bonus payments each year over three years to encourage them to stay as opposed to giving a golden introductory handshake.

In debate issues raised included:

- Referencing the Finance and Performance Report elsewhere on the agenda the Chairman highlighted that the number of Looked after Children (LAC) / Children in Care (CIN) had increased when he had previously been informed measures were in place to reduce numbers. It was explained that the numbers for LAC had increased partly due to 16 non accompanied asylum seeking children arriving in the County in the last six weeks and also there had been an unusual event that could not have been predicted with a young person being stabbed by another young person which had required other related children to be taken into high cost secure care. The expectation was still that numbers would fall in the longer run.
- On the issue of recruitment of social workers and whether collaborative work could be undertaken with other authorities, this was a very competitive market, with for example Northamptonshire and Lincolnshire paying a lot more than Cambridgeshire. There had been a measure of co-operation regarding employing agency staff with the charge rate having been capped.
- On the above, a question was raised regarding whether the National Training Programme could help. It was explained that recruiting newly qualified social workers was not an issue as enough were always recruited. It was experienced social work staff and their retention being the issue.
- On social work caseloads while the aspiration was to reduce them to 15, the current target was to ensure that caseloads for most social workers was not more than 20 for child social workers except for those in assessment teams where 25 was considered acceptable. The caseload figures on page 53 for the week ended 14th June showed that for many teams they were mostly at, or close to target and the Department for Education additional money referred to earlier, would help in this respect.
- With reference to paragraph 212 and 213 on page 54 regarding a question on the targets for overdue visits to children these were given as:
 - Children in Need 95% of visits due
 - Children In care 98% of visits due
- Paragraph 2.43 – The Chairman suggested it would be helpful in future reports if the current figures and targets were shown. (Children looked after who would otherwise be at risk of significant harm) In reply it was indicated that this would not be an easy indicator to provide a target for, as this had to be assessed case by case.
- Page 56 para 2.21 an explanation was requested for the text reading “There is a range of evidence indicating that Cambridgeshire seeks to work with too many children...” This was in relation to the number of

children Cambridgeshire worked with compared with its statistical neighbours and in terms of spend on CIN. This was also evidenced in the table on page 59 under paragraph 2.33. It was considered that some children's needs could be provided by statutory services. The dedicated teams now working with children, a feature of the re-structure were expected to help drive improvements which could be evidenced by the next update report.

- With regard to a query on providing a target date for the improvements talked about, an example of improvements already made was outstanding Child Protection Plans which eight weeks ago were at 570 and had now fallen to 520 with an aspirational target of reducing them to 450. Children in Need (CIN) was a more difficult area and conversations were needed with schools regarding why some, in the most affluent areas in the County, had higher rates of CIN.
- Page 71 Appendix 2 on the Action plan on the first target "to achieve a minimum of 80% of qualified social worker and front line team manager posts by end of calendar year" in answer to a question on why not a 100%, it was what was achievable.
- On the second target "Increase in applications for qualified and alternatively qualified staff" it was suggested this should have a number target.
- Page 73 how would these be measured – by Auditing and DIP sampling with some, being more qualitative.
- Page 81 deadline for "Audits completed as part of the rolling audit and QA Framework" - required a date to be inserted.

The officer was thanked for an excellent report which the Committee was happy to note.

203. ANNUAL RISK MANAGEMENT REPORT

The Committee received a report reporting on the Council's risk management approach during 2018-19. The Corporate Risk Register ended the year with 10 risks with none added or removed during the year. Of the 10 scored risks 9 had the same score at the end of the year as at the beginning with the one risk score that had worsened being risk 6 "*our human resources and business systems, CCC and providers are not sufficient to meet business need*" For this there had been an increase in the probability score assigned at the end of the year compared to the beginning of the year as a result of issues with ERP Gold with the residual risk moving from 12 to 16.

Paragraph 2.3 provided details of changes proposed and agreed by General Purposes Committee following a review of the Corporate Risk Register by the

Corporate Risk Group (CRG). A table in paragraph 3.2 showed the directorate risk position as at 31st March 2019.

Paragraph 4.1 highlighted that Internal Audit had given good assurance on the adequacy of the risk management system, following a review undertaken during 2018/19 stating that the Council had clear risk management policies and procedures and risk was managed appropriately across the majority of the Council. The audit also gave good assurance on compliance with those policies and procedures, particularly at a corporate risk level.

In discussion:

- Paragraph Risk 6 2.2 *Our resources (human resources and business systems, CCC and providers) are not sufficient to meet business need* - further explanation was sought on why the risk had worsened (regarding issues with ERP Gold) as the risk could not be determined. **Action: Amanda Askham to provide more information in an e-mail outside of the meeting**
- Paragraph 3.2 - Regarding a question on whether there was an update on the directorate risk table, as an annual report it would only go up to 31/03/ 19.

Page 151 – Risk 01 - Vulnerable children or adults are harmed.

On control 1 it was confirmed that checks were being made to ensure multi agencies were reporting on a regular basis. There was a request to check that support was being received from all relevant parties. *Post meeting Note: the check was made and it was confirmed that this was the case.*

Page 153 - Risk 2 –‘The Business Plan’

The Chairman asked on the timescale regarding the £5m overspend. The Deputy Section 151 Officer explained that this reflected overspend forecast to the end of the year. The final figure was in fact £3.3m.

Page 155 Risk 3 - ‘Personal Data is inappropriately accessed or shared’

Regarding the target dates shown for the action plans which had now passed it was explained that there were GDPR issues on some contracts. However most controls were now complete.

Page 157 Risk 4 - ‘A serious incident occurs preventing services from operating and / or requiring a major incident response’

On a question on when the IT Disaster Recovery Plan was last tested this was in February / March which included loss of power.

Page 159 Risk 5 – ‘The Council does not deliver on its statutory or legislative obligations’

It was highlighted that Control 5 had been updated to take account of legislative changes. The Chairman suggested on Triggers add a new one 'insufficient Finance'.

Page 161 Risk 6 - 'Our Resourcesare not sufficient to meet business need'

There was a query that as the risk had increased from 2 to 4 whether it was shown correctly.

Suggested additions were:

- Suggested additional likelihood factor - rapid legislation changes
- Additional trigger - contractors see us as major risk and stop bidding

Page 165 Risk 8 - The Council is a victim of major fraud or corruption

- Suggested additional control – separation of request and payment

Page 167 – Risk 9 – 'Inequalities in the county continue

The Director of Business Improvement and Development was going back to General Purposes Committee in October for further consideration on this risk.

In discussion:

- It was highlighted that the Target dates required to be updated.
- A suggested Trigger was in respect of the rich part of county accelerating more rapidly than poorer areas – potential consequences – it will become more difficult to close the gap.

The report author undertook to take back the suggested changes to the Corporate Risk Group and if necessary refer them on to Joint Management Team (JMT) and report back to a future meeting with their conclusions.

Risk 10 – Change and Transformation of services is not successful

Add target date.

Suggested risk - if partners change and we don't.

Risk 11 – Impact of the Brexit Risk Assessment

The Officer indicated this required more work and was going back to JMT. The comment was made that this needed to be co-ordinated with the work being undertaken by Adrian Chapman the Council's lead on BREXIT.

The reported was noted with the suggested changes.

204. INTERNAL AUDIT REPORT – ELY BYPASS PROJECT

Following a request from the Economy & Environment Committee for Internal Audit to review the cost increases of the Ely Bypass Project and provide 'lessons learned', Committee considered the Internal Audit Report.

It was explained that the length of the report was in order to provide the Committee with context and understanding regarding Internal Audit's conclusions and recommendations.

The report summarised the project by explaining the governance processes at key stages in the project's life cycle: Procurement; Stage 1 – Developed Design; Stage 2 – Technical Design and Build; and Monitoring. There were two main areas of weakness which were identified during the course of the audit: Timescales and the (resultant) use of New Engineering Contract (NEC) Option D within a design and build contract.

The report indicated that Internal Audit had given a limited assurance rating over the Control Environment in place, and a satisfactory assurance rating on Compliance. Internal Audit concluded the evidence throughout the course of the Project was that there had been effective review and scrutiny of costs / performance and that the Council received Value for Money on the delivery of the scheme with the payments made being a fair price for what had been built.

The causes for the expenditure exceeding the approved budget was considered to be the clear desire of key stakeholders to get the Project completed in the shortest timescales possible, with the Project Board agreeing, against professional officer advice, a shorter design and tender period which resulted in the form of contract used and resulted in the original cost estimate not being sufficiently robust. As a result the true costs of the Project were not sufficiently known to officers or Members at the time the budget and project was approved. Internal Audit concluded that this was not an over-spend but an under-provision of the approved budget given the contingent unknowns at the time the budget was approved.

The Budget agreed in 2016 was £36m with the decision to award the stage 1 contract agreed by Economy and Environment Committee in July 2016 on the basis that the tender bid agreed was judged to be the most economically advantageous tender and fell within the budget. When this decision was made the Committee also agreed to delegate the decision to commence the second stage of the contract to the Executive Director in consultation with the Chairman and the Vice Chairman of the Committee. The caveat being that should the construction target price be significantly higher than the tendered construction price, the decision to trigger construction should be referred back to the Committee. The term "significantly" was not specified / defined. In hindsight the variation would in Internal Audit's opinion be considered to be significant. However, as the delegation was adhered to and as the Constitution did not place any monetary limit on Members' decision making powers, the report

concluded that the delegation was discharged appropriately in consultation with the Chairman and no breach of the delegation had occurred.

The increase in costs as explained in section 4.3 resulted from under assessing initially the requirements in terms of the piling costs of the viaduct and rail bridge with other contributory costs being the earth works and the large increase in structural steelwork costs. The increased costs of the Project were not reported to the Economy and Environment Committee until April 2018 when the final figure had increased to nearly £49m, with the additional £13m agreed by General Purposes Committee in May 2018.

The Internal Audit work had shown that the costs incurred and paid for were supported by evidence as necessary, were in accordance with the Contract and had been scrutinised by the Project Team. Internal Audit highlighted in the oral presentation that even though the Committee had not been given the opportunity to challenge the increase in costs at an earlier stage which was consistent with the Committee's prior delegation, they concluded that the Council had paid the right amount regarding the Project that had been delivered.

One of the recommendations suggested in the Internal Audit Report to go forward was that where there were cost increases, a defined level of variation should be explicitly set where Committee approval was required and the Committee should be provided with regular update reports to keep them fully and transparently informed to enable possible challenge on cost assumptions originally made.

Graham Hughes the then Executive Director Place and Economy indicated that the Internal Audit report was a very fair description of the Project history and he fully accepted the six recommendations proposed to be passed on for consideration by the Economy and Environment Committee.

In discussion:

- The Chairman made clear he did want to question the priority given to the project as that was a political decision.
- One Member expressed the opinion that the Council had been let down by the actions of the Project Board not requesting up to date figures and went on to suggest that as it was a one party board there was no effective scrutiny / challenge.
- Reference was made to the over-run cost of the British Rail bridge and the problems Network Rail had encountered when building it, which should have been a warning of the structural difficult conditions that were being faced. This issue should have been taken into account in assessing the cost and feasibility of the Project, which as far as the Member recalled, who was also a member of the Economy and Environment Committee, had not been reported to that Committee.

- The point was made by several councillors that the Project itself was very much welcomed by local residents and was and continued to be a very successful project in terms of what it had set out to achieve.
- Several Members stated that due to the length of the report, which some considered overlong, it would have been useful to have had a more concise executive summary and the Chairman suggested that presentation wise it was not up to the standard the Committee expected. However no Member was disputing the recommendations of the Internal Audit Report
- In answer to a question on whether some of the additional costs could have been absorbed by the contractor rather than the County Council. Officers scrutinised the costs carefully and in some cases reduced the claims from the contractor but it was appropriate to pay for the work carried out. A longer design period would have given more time to enable greater accuracy in estimating the costs involved, as the shorter timescale effected the quality of the estimates and put the additional cost risk on the Council.
- The fact that Members had put pressure on the officers and had ignored professional officer advice was a particular concern to the Vice Chairman and he hoped that it was not common practice.
- The Chairman of the Economy and Environment Committee explaining some of the history of the Project highlighted that there had been considerable scrutiny regarding getting the design right due to the sensitivity of its location which included input from English Heritage, the Inspector of Planning and the Secretary of State. He highlighted the point already made by the Internal Audit Report that the Project was value for money and had been value engineered being a very large engineering project that went over a river and two railway lines and welcomed the report. He also made reference that not only was it an economic benefit to the County, but also afforded excellent views for those walkers using the bypass and he was personally extremely proud of the Project. He also made the point that the contractor had kept officers and lead Members informed of the progress on the project at all times.

The Chairman before summing commented that the report:

- At over 40 pages was overly long and repetitive to answer the two main questions:
 - Did the Council get value for money?
 - Should we really do procurement this way?
- Did not follow a chronological path.
- The appendices were not dated.
- Highlighting the distinction between un-provisioned and overspend was valuable.

- Did not discuss why the Skanska initial estimate was wrong and was surprised that there was no mention in the Project Board Terms of Reference of price.
- Did not reassure him on whether the Project would have proceeded had the final cost been known at the commencement of the Project.
- Provided no analysis of whether, had a different option route been chosen, would some of the increased costs been obviated.
- Suggested that the lessons from the guided bus had not been learnt.
- Provided him with limited understanding of who WYG were and what reliance could be put on their work.
- Left him unable to ascertain if Stage1 cost was £675,794 or £1.226m and did not mention at all £2.860m pre Stage 2 work and was still not clear how much the Council had paid.
- Provided no information as to whether the recommendations in the report fitted or clashed with the text on page 275 regarding the new Framework and a management methodology launched early in 2018/19.

He suggested that the Committee had four options:

- Ignore his concerns on the report's quality and send it to E and E Committee.
- Undertake minor tweaks outside meeting and send it to E and E Committee.
- Repackage it to reduce its volume. He suggested a time chart would have helped him enormously in trying to understand the cost migration.
- Rewrite the report to try to answer some of the additional questions he had posed and therefore not send it on to E and E Committee at the current time.

In the subsequent discussion:

- The point was made by two Members that in order to respect Internal Audit's independence it was not appropriate for the Committee or for the Chairman to suggest changes to the review report. The Chief Internal Auditor later in the debate added that while he was protective of editorial control for all audit reports, he was happy to review typos / presentational issues.
- The Chairman of Economy and Environment Committee Councillor Bates indicated that he was happy for the Chairman to be invited to speak to the report at that Committee and would ensure he received an invite.
- Excluding the Chairman, the intent of those Members still present from the discussion (Councillor Wells had left the meeting) was that three Members supported sending it on to E and E Committee without change and welcomed the report, while two members did not support

the report going forward without changes being made. The Chairman stated that if it went to a formal vote it would require him to then exercise a casting vote which he considered was inappropriate, as the status quo should be observed, which was to refer the report on to the Economy and Environment Committee.

Officers believed that the concerns raised could be addressed from writing a report jointly authored by the Chief Internal Auditor, Chairman of the Audit and Accounts Committee and the former Executive Director with the Internal Audit Report appended to that. This was suggested as being the most effective way of providing better focus on key issues whilst respecting the independence of Internal Audit.

On the basis that the lead officers would work on a revised cover report (**Action Duncan Wilkinson/ Neil Hunter / Graham Hughes in consultation with the Chairman**) and having accepted that the recommendations to improve contract and project management as set out from Internal Audit Report should be referred on Economy and Environment Committee:

It was resolved unanimously:

That the Internal Audit Report should be referred on to Economy and Environment Committee with a revised cover report to take account of issues raised at the meeting.

205. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report on the main areas of audit coverage for the period 1st March to 30th June 2019 and the key control issues arising.

Table 1 in Section 1 titled 'Finalised Assignments' set out the completed audit assignments with table 2 the audit assignments that had reached draft stage.

Section 2 listed brief details of Current Internal Audit fraud and corruption investigations.

Section 3 set out the implementation of management actions with table 4 summarising those outstanding.

Section 4 - the summaries of completed audits with satisfactory or less assurance.

Section 5 'Other Audit Activity' updated the Committee on:

- The delivery of and pressures on the Internal Audit Plan resulting from four reviews listed as: Manor Farm Tenancy Investigation; County Farms Process and Practice; CHAPS Payment Review and the continued support requested for the Highways Commercial Group.

The following were proposed to be removed from the Internal Audit Plan for the reasons set out in the report;

- Key inspection actions plans
- Flood Resilience Fund Grant
- Broadband Grant
- SWIM Grant

Annex A on pages 287 to 290 detailed the summary of progress against the 2018-19 Audit Plan.

Annex B provided details of:

- summary of the outstanding recommendations under three months pages 291-293,
- summary of outstanding recommendations – over three months pages 294-298,
- recommendations from key financial systems reports pages 299-321.

In discussion the following issues were raised:

Page 272-273 Fees and Charges Policy Compliance third paragraph page 273 reading:

*“This review also identified that there is little awareness of the total amount of income collected from fees and charges across the Council. While Internal Audit were able to ascertain a list of all the recorded income from fees and charges, this was with the caveat that there may be income cost centres who do not relate to fees and charges The Chairman asked that the known total should be provided and sent to the Committee outside of the meeting. **Action: Neil Hunter/ Mairead Claydon in liaison with Tom Kelly***

Page 273 A3 Development of Project Assurance and Project Management

With reference to this review the Chairman expressed his deep concern that there had been a sequence of major overspends in procurement / project management and that the same issues were still coming forward. He asked that Internal Audit seek to establish how many projects yet to be reported had been identified as having major issues and to provide the detail to the Chairman outside of the meeting. **Action: Neil Hunter / Mairead Claydon**

Page 275 A4 Performance Management

The Chairman was concerned regarding the second paragraph second sentence reading:

The Council does have a written Performance Management Framework; however, this document has not been updated since 2013, is not

communicated/available to officers, and does not reflect many of the performance management processes undertaken by officers in practice.

stating that policies should be made available to all staff and suggested this should be the role of Communications. It was explained that all policies were received by Joint Management Team and it was the responsibility of directors to disseminate the information to their staff.

Page 279 IT and Information Governance Reviews

With reference to this section the Chairman expressed his concern about the issues identified. The Vice Chairman indicated that the issues were to be addressed at a meeting of the LGSS Committee due to meet on 29th August.

The Head of Internal Audit reminded the Committee that this section of the report provided details of reviews completed. The Committee should only be concerned when recommendations were not implemented and that would be highlighted to them in the follow up work reported as part of the Internal Audit progress report and which as always would be highlighted as such.

Page 283 D4 Accounts Receivable System

An explanation was requested for the text in the last main paragraph reading:

In addition, a customisation of the system functionality designed to allocate part payments to invoices did not operate as intended and had to be turned off in June 2018.

As a result of the above switch off, a manual system was operated with a recommendations for improvement set out in annex C of the report.

Annexe B Regarding outstanding recommendations over three months

The Chairman asked that officers ensured that the following areas were followed up:

Page 301 item number 3. Accounts payable Missed goods receipt tasks target date for action 31.10.2019 The Chairman referenced the text reading:

Discussions with the Accounts Payable Service Manager established that the way services can respond to missing goods receipt tasks in ERP may create further delays in the payments process.

Page 303 Item number 5 Accounts payable - Multiple supplier Accounts duplicate payment risk – review to identify any multiple supplier accounts that may exist twice in error – target date 23.12.2019.

It was resolved:

To note the report, including the deletions to the Audit Plan.

206. COMMUNITY TRANSPORT UPDATE DEFERRAL

The Committee noted that due to the small number of actions outstanding, (many of which would not be completed until after the current meeting) the scheduled report had been deferred until the September meeting when a more comprehensive report was likely to be available.

The key outstanding action related to the Council reclaiming any money due in respect of State Aid or any inappropriate competitive advantage conferred on FACT, HACT AND ESAC (FH&E) as a result of historic grant awards. A meeting with FH&E to negotiate the final settlement scheduled for early July had to be cancelled. Officers were in the process of rearranging the meeting and remained hopeful that negotiations would conclude in time for a full report to Committee in September.

207. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 31ST MAY 2019

This report had been received by General Purposes Committee at their meeting on 16th July who agreed all the recommendations apart from recommendation g) approving prudential borrowing for the Meads Farm scheme where more information had been requested from Commercial and Investment Committee.

The overall revenue budget position was showing a forecast year-end pressure of +£0.8m (+0.2%); largely within People & Communities (P&C) (£3.7m pressure), Commercial & Investment (C&I) (£0.6m pressure) and LGSS Operational (£0.6m pressure), partially offset by forecast underspends of -£1.9m in Funding Items, -£1.3m in Place & Economy, -£0.7m in Corporate Services and -£0.25m in LGSS Managed. This was a more favourable position than at the same time last year. The Capital Programme was forecasting a balanced budget at year-end. This included use of the capital programme variations budget.

Other areas highlighted included:

- Page 329-331 the pressures on the People and Communities Budget which included:
 - On Older People's Services the continuing focus on discharging people from hospitals as quickly as was appropriate.
 - Pressures on the Physical Disabilities Budget.
 - SEND Specialist needs as a result from loss of grant that had funded additional capacity. In answer to the Chairman asking why this had not been anticipated when preparing the budget this was due to the its late announcement. This was also the same reason for the shortfall for unaccompanied asylum seekers.
 - Home to School Transport.
 - Looked after Children placements

- Children in care.
- Corporate Services - PCC Shared Services.

In discussion the following issues were raised by the Chairman:

- Page 332 Housing Investment (This Land Company) the pressure referred to had been partly off- set by the -£0.322m underspend from the demography reserve.
- Page 338 Revised phasing - in reply to a question on what the expenditure shown for the entry of (-2,960k) on the guided bus was for, it was required repairs.
- Page 343 - with reference to section 8. Performance and the pie charts showing key performance indicators in three council outcome areas the Chairman asked to be sent direction of travel information as previously provided outside of the meeting. (*Post meeting Note - this was explained in the note reading: "Direction of travel for the outcome areas is not available as the baskets of indicators are newly organised into these Groups"*) It was explained that this was the last meeting that they would be included in the report as they would be reported on separately in the future.
- Page 344 Para 8.3 Thriving places for people to live – no activity data provide for the first paragraph to give context to the information in terms of actual numbers. **Action: Tom Barden**
- Page 345 – Para 8.4 a good quality of life for everyone. In respect of the:
 - second from last paragraph - numbers required against the current percentage figures provided. The Chairman asked what was being done to close the gap regarding the 20% using the services who did not feel safer. **Action: Tom Barden**
 - Last paragraph - no performance figures or target details provided for performance in delayed transfers of care which just stated it remained off-target. **Action: Tom Barden**

It was resolved:

To note the report.

208. AGENDA PLAN.

Noted.

209. DATE OF NEXT MEETING 24th SEPTEMBER 2019

CHAIRMAN
24th September 2019