

Audit and Accounts Committee: Minutes

Date: 24th November 2020

Time: 2.p.m. – 5.18 p.m.

Place: Virtual Meeting

Committee Members Present:

Councillors: P Hudson, M McGuire, T Rogers (Vice Chairman), M Shellens, (Chairman), T Sanderson and J Williams

Officers Present:

Mark Hodgson Associate Partner Ernst  
and Young LLP External Auditor

Graham Hughes Service Director for  
Highways and Transport

Neil Hunter Head of Internal Audit for

Tom Kelly Head of Finance

James Gemmell Transformation Manager

Richard Lumley Assistant Director of  
Highways Services

Fiona Mc Millan Joint Director Law and  
Governance and the County Council  
Monitoring Officer

Michelle Parker – Group Accountant

Rob Sanderson - Democratic Services  
Officer

Ellie Tod – Strategic Finance Manager

Duncan Wilkinson Chief Internal Auditor

277. Apologies for Absence Declarations off Interest

No apologies were received.

278. Minutes of The Audit And Accounts Committee Dated 30<sup>th</sup> October 2020

With a correction to the times of the meeting to show 10 a.m. to 12.06 p.m.

It was resolved:

That subject to the above correction, the minutes of the meeting held on 30th October 2020 were agreed as a correct record and would be signed by the Chairman when Shire Hall was re-opened.

Issues raised on the minutes:

Minute 272 Pension Fund Report and Statement of Accounts - The Chairman

wished to place on record his thanks to all those involved in the smooth running of the audit of the Pensions accounts.

## 279. Minute Action Log Update

The following updates not available at the time of publication of the Minute Action log update were provided by the Head of Internal Audit:

- Minute 265 Internal Audit Plan - Outstanding Audit Plan Recommendations from previous Reviews – This was included as Appendix A to the late Internal Audit Progress Report listed as agenda Item 9.
- Minute 265 Internal Audit Plan b) Supplier Relief - Internal Audit further focus on additional spend over £20k - the details were included in paragraph 3.3.1 in the late Internal Audit Progress Report.
- Minute 265 Internal Audit Plan - Briefing on Audit Plan changes - The Head of Internal Audit indicated that he believed that the Chief Internal Auditor had briefed the Chairman and updated details were included in Appendix A of the late Internal Audit Progress Report.
- Minute 275 Whistleblowing Policy Annual Report a) Key officer contact changes - included in the above referenced e-mail to the Chairman on 17<sup>th</sup> November.
- Minute 274 Internal Audit Draft Annual Report 2019-20 a) Interim Reviews on Key Financial Systems – CCC audits had commenced on Treasury Management, Debt Collection Recovery and Accounts payable and receivable, the request for an interim audit had been passed to the Chief Internal Auditor and assurance was now provided that the key reviews would be completed before 31<sup>st</sup> March 2021.
- Minute 274 Internal Audit Draft Annual Report 2019-20 b) Anti-Fraud Corruption Open Cases – on the update on still open blue badge cases, one had now been closed and one had been followed up. (these were cases where the blue badge was with someone not entitled to have one e.g. a legitimate holder person died and another person not entitled was using it when it should have been handed back or where it had been fraudulently obtained)
- Minute 274 - Internal Audit Draft Annual Report 2019-20 - National Fraud Matching Exercise – The issue raised by the Chairman of whether this was value for money with regard to the costs and benefits of participating, the request had been passed to the Counter Fraud Team. The response would be included in a brief paper to the January 2021 meeting. **Action: Neil Hunter to obtain response from Counter Fraud Team.**
- Minute 274 Internal Audit Draft Annual Report 2019-20 d) Cyber security and Public Sector – The Chairman had requested an email regarding progress on agreed actions to address identified control weaknesses. This was still with the Head of IT for a response in respect of some of the recommendations. **Action: Neil Hunter to follow up for inclusion in an email to the Committee outside of the meeting.**
- Appendix A to the Minute Action Log -referencing the 2019-20 performance of the Pension Fund of -5.7% ranking it 67<sup>th</sup> percentile out

of the 63 funds participating in the Pension Fund universe - the Chairman requested clarification of whether this represented increased or decreased performance and whether the Fund was nearer the top or bottom of the performance league. The Vice Chairman, the Chairman of the Pension Fund Committee, explained that it was an increase. He highlighted that the Cambridgeshire Pension Fund, like all pension funds, had been adversely impacted by the Pandemic, which was beyond the Fund's control and had affected performance in the last two weeks of the previous financial year. Before the pandemic, the Fund had achieved a fully funded level of 102%. This had dropped to 90% in the last two weeks of the financial year but with the financial markets recovering, the funding level was also slowly recovering from this lower level.

It was resolved:

To note the Minute Action Log.

## 280. Petitions And Public Questions

None received for either by the County Council Constitution deadlines.

## 281. Statement of Accounts 2019-20

This report presented the audited (subject to outstanding items), revised Cambridgeshire County Council (CCC) Statement of Accounts 2019/20, the Annual Governance Statement and Pension Fund accounts with the Accounts provided as Appendix A to the report. It replaced the draft version presented to the Committee for review on 30 July 2020 and included suggested changes made at that meeting and was considered in conjunction with the ISA260 report from Ernst Young EY, the Council's external auditors.

The deadline for the publication of the Accounts was 30th November 2020 and while the Council and External Audit had been endeavouring to achieve the date, one or two areas might take slightly longer to conclude. The report outlined the limited areas remaining to be completed, which were all of a technical nature. On that basis, in common with previous years as the Accounts were still not finalised, to avoid the need for an additional meeting, the Committee was recommended to approve the final version of the Accounts via a delegation.

One significant change highlighted regarding the accounting approach and consequent audit requirements for 2019/20 was the appointment of a new valuer, to undertake the Council's asset valuations. As a result, the valuation technique for school assets had changed so that they had now been valued on a Modern Equivalent Asset basis (i.e. on the basis of how an asset would be replaced to provide the required service, rather than valuing what was physically in existence). This change brought the Council's valuations more closely in line with the guidance issued by The Chartered Institute of Public Finance and Accountancy (CIPFA) and Royal Institute of Chartered Surveyors (RICS).

Paragraph 3.1 of the cover report set out the most significant changes between the draft submitted in July, and the revised Accounts included in the present report. No fundamental changes had been made since the last draft and those that had been made were mainly the result of reclassifications, for example between short and long term borrowing and a revised pensions adjustment as a result of the receipt of the revised actuarial report and based on actuals rather than predicted performance. Paragraph 3.2 detailed adjustments that had been identified but had not been adjusted as they were immaterial and would otherwise impact upon the revenue or capital outturn position.

Section 4 of the report set out the matters still outstanding. Highlighted were the following:

- Property, Plant and Equipment (PPE) – the impact of Covid-19 on both valuations and furloughing of key contacts, the move to a new external valuer and the additional difficulties in obtaining information due to working away from the office had all contributed to additional work and delays in this area. A significant amount of work had now been completed, but there were still some outstanding queries around the sample of valuations, the material uncertainty disclosure in the accounts and the valuations of the Council's investment properties. It was likely that further adjustments would be required.
- Going Concern Assessment – in order to ensure that the assessment was as current as possible, this text had not been provided until the latter stages of the audit. Page 80 of the agenda provided the 'Going Concern' expanded disclosure. The scenario-based approach to modelling going forward on the impact of the pandemic gave renewed confidence that the Council would be able to achieve a balanced budget in the current year, but with the uncertainties around the Spending Review, this might require future changes to service levels and Council Tax.
- Payroll testing – delays have been created by lack of capacity in the payroll team to provide the information required. As an oral update the information had now been received but there were still two outstanding areas of work to be completed. It was not anticipated that there would be any adjustments required.
- Group Accounts – the Council's wholly owned company, 'This Land', had a different accounting date to the Council. Whilst this provided the benefit of being able to include the completed 'This Land' accounts within the Council's draft Group Accounts, it did require additional audit work by 'This Land's' auditors regarding the period between the two balance sheet dates (31 December 2019 and 31 March 2020). At the time of the meeting while the work was nearly complete, EY were still awaiting for the final report from 'This Land's' auditors and the Council were waiting for the company's adjusted management accounts.

The report highlighted that the auditor had not yet begun the Value for Money review for 2019/20 due to the conclusions for 2017/18 and 2018/19 were still outstanding along with unresolved objections on the accounts. BDO LLP, the Council's previous external auditors, had now replied formally to the letter sent

by the Chairman of the Audit and Accounts Committee in November 2019, setting out the status of work on the 2017-18 Value for Money Conclusion and 2017 and 2018 objections, and had provided a timescale to complete this work. The revised timescale anticipated that it would be reported to the January 2021 Committee. Once this work concluded, EY would then be able to schedule the work required for the 2018/19 and 2019/20 Value for Money Conclusions. Later in the meeting the Chairman highlighted that it had taken nearly a year for BDO to reply to his letter. He updated the Committee that a meeting originally scheduled for 10<sup>th</sup> November between their lead auditor, Lisa Clampin, and the Chief Executive to discuss their audit response had been cancelled at short notice by BDO, and had been rescheduled to the 3rd of December.

The Chairman expressed his personal concerns that despite having two extra months, it was still unlikely that the Council would achieve the 30<sup>th</sup> November publication date.

As the External Auditor was required to attend another Council meeting at 3.00 p.m. the Chairman invited him to present his report which commenced from page 181 of the agenda.

## 282. Ernest Young External Audit Report Cambridgeshire County Council Audit Results Report Year Ended 31<sup>st</sup> March 2020

Mark Hodgson the External Auditor introduced the report explaining that one of the big impacts on the production of the Accounts resulting from the pandemic and subsequent lockdown was all the audit work had been carried out electronically without face to face meetings between the auditors and the Finance Team. In response, the Chairman asked whether they would wish to continue this approach in future years? Going forward it was likely to be a hybrid approach, as while electronic meetings saved a lot of time from not having to travel, in some situations, face to face discussions were still advantageous.

EY confirmed that they had substantially completed the audit with the current status set out in the 'Executive Summary' providing details of progress against each area of significant risk and areas of focus in section 2 of the report. Subject to concluding the outstanding matters listed, EY expected to be able to issue an unqualified audit opinion on the financial statements in the form included at Section 3. As already highlighted in the Accounts Cover report, EY were unable to commence work on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources as the 2017-18 and 2018-19 Value for Money conclusions remained outstanding.

From the Executive Summary he drew attention to the following:

- The changes to their risk assessment as a result of Covid19 in respect of:
  - Disclosures on going concern - requiring revisions to financial plans for 2020-21 and medium term plans

- Valuation of land and buildings - caveats around the material uncertainty had been included in the year end valuation reports produced by the Council's external valuer and gave rise to an additional risk relating to disclosures on the valuation of land and buildings
  - Pension Liability due to the impact of Covid-19 on the availability and timings of market data on the Pension Fund investments and in particular Level 3, which as the required estimation was by 31<sup>st</sup> March 2020 carried a higher likelihood of material misstatement and therefore increased the risk to a significant risk.
- Page 286 overall materiality had increased to £19.58m.
- Page 288 listed the items relating to the completion of the audit that were still outstanding at the time of the report's publication with an oral update position being provided regarding:
  - Property Plant and Equipment - this was still a significant area of work with a number of audit queries that required to be resolved.
  - Going Concern - as referred earlier, the Disclosure Note in the Accounts had been updated by Finance, and there was only one area around disclosing the two scenarios still to be agreed before they were comfortable.
  - Group Consolidation – They were waiting the report from the Group Component Auditors (RSM) which had been due on 13<sup>th</sup> November but had still not been received and was still being chased up. The Chairman offered to assist if this would help speed matters on.
  - Cash and Cash Equivalents - one confirmation from an external provider was being chased.
  - On Borrowings – they were working through an update received regarding the split between the Long and Short terms borrowing note and the classification of it within the Accounts.
  - Payroll – the information to support the Council's payroll expenditure had been received and EY were now just waiting to resolve a couple of questions raised.
  - Unrecorded liabilities - this was worked on right up to the date of the audit opinion and would be one of the last tasks to be carried out.
- Page 289 Audit Differences - there were currently three unadjusted audit differences, but as they were only cumulatively totalling £6.61m they were not material and would not impact on the final audit opinion. However, the auditors had requested that they should be adjusted and if not, a rationale as to why they were not corrected needed to be considered and approved by the Committee and provided within the letter of Representation.
- Pages 290-291- In terms of adjusted audit differences, one had been identified as material with regard to the classification of grants within the Comprehensive Income and Expenditure Statement, with five more above the reporting threshold of £0.98m.
- A number of audit disclosure differences were identified in the draft financial statements. These had now been adjusted.

- No significant deficiencies had been found in the design or operation of an operational control that might result in a material misstatement in the Financial Accounts that were unknown to Finance Management.
- On Powers and duties - one objection to the financial statements had been received, but EY had not yet confirmed whether it was valid objection until they were in receipt of BDO's opinion on previous objections and on one they were still awaiting to start, which was also subject to the BDO report.
- Fraud risk were set out on pages 294-296. No evidence of fraud had been found or management override or financial miss-reporting as result of the audit activity undertaken.

Regarding the significant risk areas:

- Page 297 - Valuation of Plant, Property and Equipment (PPE) - this was considered a key area due to the Council:
  - having a new valuer in the year,
  - the impact of Covid-19 on the assets market as at 31<sup>st</sup> March 2020 and as all valuers had included in their valuations report a material uncertainty clause as at that date, there was no active market to enable assessments to be made. Finance were updating their note in this area from more recent markets information.
- As part of their asset testing they had identified a Solar Farm project called project 24 that had been wrongly classified and had required a specialist valuation.

Page 298-299 Significant Risk – Pensions Liability – IAS19 - assurance had been received from the Pensions auditors regarding the revised financial statements made to take account of the cumulative differences from the impact of Covid-19 on the valuation of complex Level three investments and regarding transition arrangements assumptions relating to the McCloud discrimination case.

Page 300 Significant Risk – Accounting For Grants - Only one classification error had been found, a much improved position compared to the previous year. Page 301 - Conversion of schools to academies - no issues were identified requiring to be reported.

Sensitivity issues - the testing of Related Parties note, the Exit packages note and the Senior Remunerations note did not identify any audit differences requiring to be reported.

Page 302 - Private Finance Initiative (PFI) – an adjusted audit difference in the Street Lighting PFI originally identified in 2018-19 had been rectified and there were no other matters to report. They were comfortable with the PFI classification.

Page 302 - Valuation of Heritage Assets and Page 303 Dedicated Schools Grant - no matters to report.

Page 304 - Going Concern Disclosures - this covered two fiscal years, with Finance management having provided some detailed scenarios which had been stress tested including looking at liquidity of the Council and the reserve position at the end of the two years. EY concluded that the assessment by Management was robust. However, they had required a fuller narrative in the disclosure note

in terms of an 'Emphasis of Matter' paragraph to make clear to lay readers the potential impact on key reserves and potential key Council decisions that might be required in this area or in terms of future Council Tax levels. On this latter point the Head of Finance highlighted that increasing Council Tax would be a political decision when considering the Medium Term Financial Strategy in the forthcoming meetings round. In terms of the risk effect of Covid-19 on District Council collection rates, this was being closely monitored.

In summing up on all the issues and subject to a satisfactory conclusion on PPE it was considered that the financial statements audited gave a true and fair view of the financial position of the expenditure and income of Cambridgeshire County Council and Group as at 31<sup>st</sup> March 2020. In reply to the Chairman's suggestion that no improvements / progress had been made since the previous year, Mark Hodgson highlighted that there had been systems improvements since the previous year and better collaborative working with Council Finance staff, while again highlighting that PPE and Covid represented significant risks. In terms of signing off the Accounts, this could not be undertaken until their review of the highlighted outstanding matters was complete.

Mark Hodgson commented that they were likely to only be days or a week or so from signing, subject to receiving all the appropriate evidence. He also placed on record his thanks to the Finance Team and in particular to Michelle Parker and Ellie Tod, for the significant contributions they had made.

## 283. Accounts Report Continued

Returning to the Accounts Report, the Head of Finance clarified that the Improvement Plan for the Accounts production was an ongoing two-year process, but was still confident that sign off would be achieved two months earlier than the previous year. The Committee was reminded that the CCC Finance Team had only assumed responsibility for financial accounting in December 2019 and despite the shorter preparation time available due to the significant delays with completing the 2018/19 accounts, strong progress has been made in respect of the quality of the accounts produced and in the conduct of the audit. The issues for continuous improvement into next year included:

- Property Valuer consistency – 2020-21 would see the same external valuer used for a second consecutive year and would also be the second year of using the Modern Equivalent Asset basis.
- Property Assets – quality of data – audit sampling had identified that there continued to be issues with the quality and robustness of the information held on property assets. The Vice Chairman was surprised that this was still an issue. The Head of Finance explained that different issues tended to arise in different years, including the ways different external auditors conducted their audit in this area and but that the systems were still not in place that were able to identify accurately areas such as floor-space, pupils attending schools. A particular issue in the present audit had been the classification of the solar farm. The issue was about how data was held and the quality checking undertaken, with a general acceptance that it currently was still not good enough. Tony Cooper the Assistant Director



Property had prepared an improvement plan to Commercial and Investment Committee including the intention to procure a new IT Property Asset Management System. Councillor Shellens shared a note he had received from John McMillan, Group Asset Manager following his enquiry on the latest position on the IT system which provided background leading up to the present proposals in an improvement plan.

Although Commercial and Investment Committee were the appropriate committee to monitor progress on an improvement / action plan, it was still of particular concern to this Committee, due to the apparent lack of progress on obtaining a reliable IT system, that the Council could not identify all its assets accurately with the resultant continued impact on the Accounts production. After discussion, it was agreed that the Assistant Director of Property, Tony Cooper, the officer now responsible should attend the next Committee in January to provide an update report on the progress on obtaining a system that would enable an accurate assets register to be produced.

**Action: Democratic Services to Contact Tony Cooper.**

The Chairman also agreed that he would take up the issue with the Chairman of Commercial and Investment Committee

**Action: Councillor Shellens Chairman of Audit and Accounts Committee to raise the Committee's continued concerns with the Chairman of Commercial and Investment Committee.**

- Process/ system issues – this was the first year that Treasury accountancy had been completed by the CCC team, and the second year of using ERP Gold for fixed asset accounting. Utilisation of these areas would continue to improve into next year and provide further opportunities for pre-audit quality procedures.
- Reliance on third parties – production of the Accounts and the successful audit relied on the timely provision of information by teams across the Council, its partners and external organisations. The interface with Payroll would be particularly important in the forthcoming year, especially as this was being moved from LGSS to Northamptonshire. Timeliness of payroll information had been a particular problem in the current round and officers had had to prompt for replies. While accurate information had been provided, it was sometimes been difficult to provide it in the right format that satisfied EY scrutiny.

Issues raised in discussion on the report included:

- Querying whether the unadjusted audit differences were errors and whether this was due to a lack of staff training, unfamiliarity with new systems or as a result of two different sets of opinions. It was explained that some of the errors had been adjusted since the Audit and those that might require staff to have additional training were to be addressed as part of the Improvement Plan. The three as set out in the External Audit report that had not been adjusted were due to them being immaterial, but

if adjusted would impact upon the revenue or capital outturn position which had already been reported to General Purposes Committee back in May/June. The Committee on being asked, were content with the explanation and approach adopted by the Finance officers.

- On a query on whether unadjusted errors were being carried forward, it was clarified that the errors identified had been rectified through making the necessary adjustments and would not be repeated.
- Why had the Council changed the external property valuer? It was explained that there were procurement rules around the appointment of valuers and the limit on the contract that could be awarded (somewhere between 2-5 years), with the previous valuers contract term having expired, and as they were no longer on the framework, it was not possible to re-employ them. The Chairman asked if the length of a contract could be confirmed outside of the meeting. Action Ellie Tod
- Page 39 Summary Page - The Chairman highlighted that Expenditure had increased by plus 170 and income by only plus 29 and yet reserves had only changed by 28 asking for an explanation. It was explained that reserves included unusable reserves and that there was a note explaining the amount of reserves that could be used and the impact on usable reserves. The Chairman suggested 112 seemed a large difference. In answer it was explained that there were statutory overrides, amounts of income and expenditure that had to be declared which were not allowed to impact on the Council Tax base and were adjusted in the movement of reserves statement which was why there was a disconnect.
- The Chairman congratulated all those involved in the tremendous achievement that the final outturn revenue overspend was only £200k which had been a much better final out-turn than in earlier years. Page 48 Assets and Liabilities - why were there property revaluation losses? – That was as a result of the change to valuing assets on a modern equivalent asset basis and particularly applied in relation to schools where they were now assessed on what the cost of replacing the asset was, rather than valuing them what was already in place.
- Page 51 - On 'This Land' – sales of properties - in reply to a question from the Chairman asking if there had been any significant change since the publication of the report, one additional property had been sold. To reflect this, an update would be made to the balance sheet. On replying to a question on whether the sales exceeded the companies estimates, it was confirmed that they were meeting or exceeding the targets included in their agreed Business Plan.
- Page 99 - On the Dedicated Schools Grant - where there had been a deficit of £7m the previous year this had risen to £16m in the current year with the Chairman asking what action was being taken to reduce this growing deficit. Schools Forum and the Council continued to lobby Government for additional funding while also detailing the steps the Council was taking through a prepared action plan. With many other authorities being in the same position, the only long-term solution was for additional Central Government funding that matched the level of identified need.
- Page 164 Heritage Fund – the Chairman highlighted that the text indicated that officers did not consider that reliable valuation information

could be obtained regarding the Fund's acquisitions due to the lack of comparable market values and yet in the next paragraph it was indicated that Bonhams had undertaken a valuation the previous year. He asked how much had they charged and was it worth it? The cost was given as £2800 and was the first valuation for 10 -11 years, whether it was worth it was a subjective judgment, as it might not be possible to replace items like for like. The benefit was to obtain a separate independent valuation for insurance purposes and to meet accounting requirements, as otherwise it would not be possible to obtain an unqualified opinion on the Accounts. The audit requirement was that they should be revalued on a regular basis, but as the frequency was not defined anywhere, it was an ongoing discussion.

- Page 166 – Civic Regalia - Councillor McGuire expressed his continued concern that despite previous requests to have the chains of office valued, the report note was stating that their value “was not known”. As there were a number of civic related items in the Chairman's Office that potentially could go missing in the move to Alconbury, he considered it was appropriate to obtain an insurance valuation before such a move, especially as the Chairman's chain was gold. Michelle Parker explained that the valuation of Civic Regalia was not required for the Accounts and she had sought updates in the past from the Chief Executive's Office. It had now been passed on to Democratic Services and would be for them to review. **Action: Inform Democratic Services Manager.** *(Post meeting correction note The Chairman's Office and Civic Regalia has never been part of Democratic Services but is the responsibility of the Chief Executive's Office)*
- Page 186 Pension Fund and Supporting Notes - in respect of 6244 Undecided Leavers the Chairman had requested a definition in advance of the meeting. The Vice Chairman provided the following definition from pensions officers:
- *“The number related to unprocessed leaver records with the definition of an undecided leaver being – where a member has left a period of pensionable employment and was not entitled to immediate payment of their pension benefits but is entitled to either a refund of contributions, aggregation with another period of pensionable membership, and / or a deferred pension award”.*

The numbers of undecided leaver records had increased due to external circumstances such as scheme employers not having notified the Pensions Service that staff had left or providing the information late. In 2020 the numbers had reduced from 11082 to 9636 and during the current period it was hoped to reduce the number of records to under 5000. While the numbers reduced had not been to target, this had been affected during Covid by such issues as staff redeployment and schools being behind on their returns due to the substantial pressures already on them.

Page 196 Pooled Property Fund - last paragraph reading: *“At the time it is not possible to accurately predict the scale of the impact of Covid-19 on*

*the economy and as a result the 2019-20 Pooled Property valuations have been based on information prior to the outbreak on the assumption that the values will be restored once property markets recovered”.*

The Chairman considered this to be a potentially extremely over optimistic statement, especially as properties made such a large part of the Pension Fund portfolio.

- The Chairman queried why there were two glossaries. This was required as one was for the Pensions Accounts. However, officers had been through the two glossaries to remove any overlaps.
- On the Annual Governance Statement, the Head of Internal Audit was able to confirm that no additional updates were required from the version seen and reviewed at the previous Committee meeting.

Having reviewed and commented on the revised Statement of Accounts, it was resolved to agree:

- a) To delegate responsibility to the Chairman and Vice Chairman of the Audit and Accounts Committee and the Chief Finance Officer to approve and sign off the final audited set of Accounts once finalised.
- b) To sign off the unadjusted audit errors and agree that as they were not material, not to include them in the final accounts.

## 284. Transformation - Fund Monitoring Report - Quarter 2 2020/21

As the presenting officer for the Safe Recruitment in Schools report had been called away at short notice on a private family matter and not able to attend the meeting, with the agreement of the meeting, the Chairman changed the order of the agenda to consider this report next

The report produced for the General Purposes Committee (GPC) responsible for the stewardship of the Transformation Fund, was provided to this Committee for information and for any comments. The report outlined progress in the delivery of projects receiving Transformation funding. In addition, following feedback from Members, it also contained a new section providing information on the impact of the use of the Transformation Fund. To date, GPC had approved £27.7m of investments and there was currently £15.3m funding available to allocate to further investments.

Also highlighted was:

- the role of the Recovery Board which oversaw the major change programmes and strategic projects across the County and included on it the Corporate and Service directors.
- In addition to what was reported as part of the Transformation Programme, the role of the Transformation Team in supporting other projects across all service directorates.

In discussion the following issues were raised:

- Referencing that the Adult Positive Challenge Programme was signposted red requesting more detail, on why the expected savings, had not been achieved. It was explained that the impact of the Covid crisis had resulted in a huge demand on their services, with specific factors including:
  - increased care costs,
  - market resilience pressures and changes in the care market,
  - a loss of trust in the traditional services,
  - winter pressures,
  - the costs of infection control measures including the huge cost increases for PPE (Personal Protective Equipment).
- The Vice Chairman as follow up explained that looking at the methodology it was the mechanics and administration that he found difficult to understand. It was explained that the original cost modelling had been prepared two years ago and, as a result of what had already been highlighted, made it much more challenging to make the savings originally forecast, pre Covid-19. Officers were continuing to monitor and take action both as part of the refreshed programme plans and the current business planning cycle. Reference was made to the further information on the current challenges faced by Adults' services, set out in sections 3 and 4 of the business planning submitted to Adults Committee in October 2020. For which a link had been included in the current report.
- Asking how many new projects had been undertaken in the last year? This information would be provided outside of the meeting. **Action:**  
**James Gemmell**
- How were new project ideas generated - It was explained that the Recovery Board was the place where new ideas were discussed, having come forwards from Services and through other routes. As a follow up, the Chairman asked how the Transformation Team were helping in generating new ideas. This was through looking at best practice and ideas already used by other authorities and through the information networks to look at new opportunities and see whether any could be adapted. The Chairman asked for examples These included:
  - the first iteration of the Best Start in Life Programme
  - Child Friendly City - adapted some of that thinking
  - Adults Positive Challenge – took learning from adult services across the country.

In respect of future reporting, in discussion, it was agreed that rather than quarterly reporting, it was suggested that the Committee would be happy to receive a report every 6 months. *(Note: which would make the next one due for the June Committee meeting).*

The report was noted.

## 285. Safer Recruitment in Schools Update

This report updated the Committee on the Schools Intervention Service monitoring of the Leadership of Safeguarding including safer recruitment in maintained schools. It concluded that there continued to be a positive safer recruitment picture across Cambridgeshire schools.

The following questions were raised by the Chairman for an e-mail response outside of the meeting:

- Paragraph 2.2 - regarding the regular safeguarding review in schools what number of schools did this involve and how many were academies.
- In respect of academies who used other providers, how did their offer differ from that provided by the Education Department.
- Paragraph 3.3 Training support and monitoring and 3.4 Safer Recruitment Training – requesting details of the numbers undertaken against the list of courses / training events and those referenced. In the latter paragraph.
- On safeguarding complaints received by Ofsted as the paper stated they were rarely linked to safer recruitment and staff conduct, the Chairman asked for more detail on what did they involve.

Action: Democratic Services to pass on the questions to the Senior Leadership Advisor.

The report was noted.

At 3.44 p.m. as there were still reports to discuss which were expected to engender significant discussion and might include having to go into private session the Chairman adjourned meeting for a five minute comfort break. On returning the Chairman with the agreement of the meeting changed the order of the agenda to receive and review the Forward Agenda plan

## 286. Forward Agenda Plan

In line with the recent decision of Group Leaders to allow committees to decide which reports should be included on the formal meeting agenda and agree which reports could be provided in emails outside of the meeting, after discussion, the following was agreed:

Additions from discussions earlier in the meeting to be included on the formal agenda for January:

- Progress on Property Management Asset System
- BDO report

From those currently listed on the Agenda Plan:

- Debt Management Six Monthly Progress report - to be included on the agenda
- Statement of Accounts Process update on Improvements Plan listed in accounts report to include suggestions made at the meeting - to be included on the agenda
- Performance Report quarter 2 – e-mailed to Committee
- Integrated Finance Monitoring report – e-mailed to Committee
- Six Monthly Report in respect of Consultancy Expenditure and Compliance with the Policy - to be included on the agenda
- Safer Recruitment in Schools Update - to be included on the agenda
- Internal Audit Progress Report including update on the value of the National Fraud Initiative - to be included on the agenda.

It was resolved:

To note the Forward Agenda Plan with the changes agreed.

## 287. Farms Audit Update

Following the request from the October meeting for the Farms Report to come forward to this Committee meeting, an update briefing was provided on the current position and the options going forward in terms of the presentation of the investigation findings.

The Chief Internal Auditor explained that the Internal Audit work was now complete and being fact checked with key stakeholders. In excess of 300 comments and submissions had been received and reviewed, The volume and nature of comments required the revised report to be circulated, to give all stakeholders the opportunity to fact check the changes. Following this, the revised audit timetable was:

- Report to key stakeholders 10<sup>th</sup> November
- Final comments to be received by 27<sup>th</sup> November
- Final report to be prepared by 4<sup>th</sup> December to the Monitoring Officer and Chief Executive to consider whether any issues needed to be progressed under formal processes. This would be dependent on the volume of responses.

The report also highlighted that the Council had received and was administering Subject Access Requests from tenants which were of a complex legal nature.

Having discussed issues with legal advisors the timetable proposed by the Chief Internal Auditor, Monitoring Officer, Chief Executive was as follows:

1. To ensure organisational confidence, the final report would be shared with the Leader of the Council and Chairman and Vice Chairman of Audit and Accounts Committee (AAC) as a confidential document.
2. Following this it was proposed that the next steps would be discussed at a meeting with the Chairman / Vice Chairman, Leader of the Council,

Chief Executive, Monitoring Officer and Chief Internal Auditor including whether the report would be published, or whether it was to be held as a confidential report.

In discussion issues raised included:

- The Chairman highlighted that the audit investigation had been in progress since February / March 2019, the best part of two years, and that there was now a need for public exposure.
- A view raised by another Member was that it could be perceived that the officers were seeking to delay providing the report as long as possible, possibly after the election in May. He reiterated, that the Committee had originally been promised a report, and therefore still required to see a report that could be discussed in a public session. He highlighted that the report of the Chief Internal Auditor was now suggesting that there might be a confidential report that should not be disclosed and that the decision on its release would be made by the Chairman / Vice Chairman, Leader of the Council, Chief Executive, Monitoring Officer and Chief Internal Auditor. Due to the serious nature of the allegations made, and the need for the Council to show itself to be transparent, this was not acceptable. The Committee needed to see the confidential report and then later, a public version should be produced for discussion in Committee. He expressed his extreme concern of the approach being suggested, regarding who was to make the decisions on the report's release and who should see it.
- Another Member in completely agreeing with the previous speaker, expressed his extreme concern that the report had taken 18 months to produce and suggested that if there were 300 corrections required, this cast doubt on how accurate the original report had been. (The Chief Internal Auditor clarified that it was 300 comments and views expressed, not necessarily requiring changes). Before proceeding further, the Member made clear all the information he was about to provide / request clarification on, was already in the public domain or had been in the current report or in emails from officers explaining the reasons for the continued delays. He highlighted that as a result of the Internal Audit referral there had been a police investigation into an elected member which had finished in April 2020 after a ten month investigation with no further action being taken by the Police. This was seven months ago and yet there was still no report for the Committee to view.

In reply to the Chairman's question on whether the Police investigation had held up the internal investigation, the Chief Internal Auditor responded that Police had instructed them not to progress any issues while their own investigation was ongoing, and any request to do so, would have required the Police's explicit agreement.

- As a follow up, the Member asked the Chief Internal Auditor whether any County Council officers had also been the subject of a Police investigation. He was able to confirm that the issues from the audit



investigation had been referred to the Police for them to take a view on individuals who might be subject to investigation. The Police considered potential offences regarding multiple individuals. It was a Police decision not to proceed any further. For legal reasons he did not wish to discuss individuals.

- On ‘Subject Access Requests’ a Member asked a question that why, if a person involved in an investigation requested information from the County Council, should they not be provided with the information before any ‘Subject Access Request’. The Member asked the Chief Internal Auditor if the information had been requested before the ‘Subject Access Request’. In reply, the Chief Internal Auditor replied no, and when asked again, confirmed that was correct.
- The Member who had asked the above question understood that such formal requests required a response within one month, and in exceptional cases, three months. He understood that the request had been made in May and therefore the three months maximum time limit would have expired in August. He asked whether the information requested had as yet been provided. The Chief Internal Auditor was not able to confirm the current position, as such requests were not directly received by Internal Audit but were being administered by another, separate part of the Council. The Monitoring Officer clarified that the process followed was now near a conclusion, with the Council still taking legal advice on what was disclosable and what was not, as part of being able to provide a final response. The Member highlighted to the meeting that in that case, the Council had far exceeded the three-month maximum period required to provide a response.
- The same Member taking information included in the current report highlighted the separate review of the farms estate and that the report indicated, had been shared with the new permanent Farms Head of Service (Tony Cooper) on 10th November. The report stated that it was for that officer to review, agree and start implementing the service recommendations. The Member highlighted that this was a review that was to have been reported back to Committee, but the Committee had neither received a report, or any briefings on it and asked why this was. In reply, the Chief Internal Auditor stated that one of the key pieces of feedback received from the original fact checking exercise was that the issues in the Farms Audit were directly inter-related to the Terms of reference of the original audit investigation. Following this, the Chief Internal Auditor had made the decision that they were best considered as part of one report.
- On the report’s next proposed steps, the same Member stated, that having been informed that it was essential to “properly protect the Council, stakeholders and the Audit and Accounts Committee” via an informed decision to be taken by those already listed, as no information had been provided, he questioned what it was they were being protected from. As he did not wish to take up any more of the Committee’s time and still had a list of questions to ask of the officers, he indicated that he

would be writing to the Chief Internal Auditor and the Monitoring Officer with the list of still outstanding questions that he expected answers to. He also made clear that if he did not receive satisfactory answers, he would be bringing the questions back to the next Committee in January, while still expecting that at that meeting there would be a final report for the Committee to discuss. The Chairman requested to also be copied into the correspondence. Action: Cllr Hudson

- Both the Chairman and Vice Chairman placed on record that they had not received or seen sight of a report or had received detailed briefings on its contents. The Vice Chairman questioned the role of the Committee when it appeared they were being frustrated at receiving a final report by legal considerations, but were not given details on what they were.
- Another Member asked what action could be taken to ensure a report was received at the next Committee meeting. He also asked that if the Chief Auditor, Monitoring Officer, Chairman, Vice Chairman and Leader made a decision not to release the report, what was the purpose of the Audit and Accounts Committee if they could not consider such an important Internal Audit report? He insisted that the Committee still needed the opportunity to see and discuss it, even if it was confidential and had to be discussed in private session and that at a later date, a public version needed to be produced. He could not support the proposed approach set out in the report, as any informed decision should involve the whole Committee. In reply, both the Monitoring Officer and the Chief Internal Auditor while reiterating there were still key challenges requiring legal advice to be resolved that were currently delaying the next steps, agreed to take on board the views made by the Committee and would take them back to revisit the issues with the Chief Executive.

The Chief Internal Auditor summing up from the officer side highlighted that both the Monitoring Officer and himself shared the Committee's concerns and frustrations. He clarified that the officers' were not saying that a report would not come forward that could be discussed in public, but that an informed discussion was needed to progress the next steps. This discussion would be on the options and their potential consequences before being able to decide the next steps to be taken which could involve:

- further delay
- convening a special meeting for the immediate consideration of the report in public session.

In summing up the debate, Chairman made the point that it was unacceptable that the resolution of the issue should be delayed and not be resolved before the Purdah period before next year's Local Government election. This was not an issue that a new chairman and a new Council should have to inherit. If it was possible, he would wish to have a special meeting before Christmas and if this was not possible, then it should be very early in January and he could also see the need for potentially a second and even a third meeting. In reply to a question on when was Purdah, it was clarified that it was the last week in March.

the Chairman outlined what he believed were the main points namely that a third iteration of the facts was due to end on 27<sup>th</sup> November when the officers then had a few days to make any final changes. The report would then be issued on 4<sup>th</sup> December to himself, the Vice Chairman and the Leader of the Council who would then meet for a discussion with the Chief Executive, Monitoring Officer and the Chief Internal Auditor on a yet to be decided date. The Chairman commented that while it was not his preferred option, there should also be an option for a redacted report that the Committee and the public could see.

On being asked to confirm the facts of what the Chairman had said were accurate, the Chief Internal Auditor clarified that there had only been two, not three cycles of fact checking and confirming they were only applying two cycles. The strong message to be taken forward was that the officers believed they were ready to finalise the report and after the said report had been provided to those listed in the report, the following options would be discussed with the Chairman and Vice Chairman, including their potential consequences. For further clarification the options to be discussed would include:

- consideration on publishing the report
- the Committee considering a redacted version of the report
- the Committee considering the full report in confidential session.

It was resolved:

To note the report but expressing the view that the Committee was extremely anxious that the issue should be brought to a conclusion at the earliest opportunity.

## 288. Internal Audit Progress Report

This report which included a confidential appendix was circulated on an email to the Committee and published on the agenda page website on 20<sup>th</sup> November and. The Chairman had agreed to accept it as a late report on the following grounds:

1. Reason for lateness: the report needed to be cleared by Joint Management Team who only met on 19<sup>th</sup> November
2. Reason for urgency: To enable the Committee to be briefed on the most up to date information position on Internal Audit issues including the amended Audit Plan, outstanding management actions, progress on the Highways contract as requested at the October meeting.

The Chairman highlighted his intention to consider all the public aspects of the report first and then, if a more detailed discussion was required on the confidential appendix, the Committee would be asked to exclude the press and public.

The report detailed the main areas of audit coverage as at 6<sup>th</sup> November which as the previous update has been presented to the 30<sup>th</sup> October meeting showed little change.

It was highlighted that following the outbreak of the Pandemic, the agreed 2020/21 Audit Plan had been paused in order to fully align resources to risks being managed by the County Council, consistent with the service's Business Continuity Plan.(BCP). As a result, work in the first few months of the financial year had been more reactive to risks and emerging issues such as spend analysis and Procurement Policy Note 02/20 Supplier Relief, as detailed in paragraph 3.3.2. Although it had been a rapidly moving environment. it was reported that the Internal Audit Team was again reverting to a more structured work-plan for the remainder of the year, while highlighting that Covid-19 would continue to directly affect the focus of the work. Following the request at the last meeting, reassurance was provided that the essential area of focus would be on the key financial systems with the undertaking that these would be completed by the end of March 2020. Section 2 of the report summarised where the remaining resources had been deployed.

The original Internal Audit Plan Audit was for 1750 days, while the Plan recommended for approval at Appendix A currently stood at 2037 budgeted days of resource. The Committee was reminded that it was expected that new 'risks' would emerge throughout 'normal' yearly cycles and in the current year. Covid had impacted in a very significant way as commented by the Chairman, who had expressed surprise at the scale at 665.5 days. By regularly reporting the Plan to Joint Management Team (JMT) and Audit & Accounts Committee each quarter for challenge and direction, this helped ensure that resources continued to be targeted towards those areas of highest organisational need.

It was highlighted that only 12 audit recommendations had not been implemented with all their dates having been changed to the future. This was a good news story as it demonstrated that management took audit recommendations seriously with the Head of Internal Audit not being aware of any recommendations from the Audit reviews that had been rejected for implementation.

Section 3 of the report provided a more detailed overview of the work undertaken and attached at Appendix A was the revised proposed Plan for the remainder of the year (and slightly beyond).

Section 5 Risk Management Appendix D was a holding report to show what had been happening in the last six months. It was explained that work to refresh the Corporate and Directorate Risk Registers (DRR) had been paused following the Covid-19 Pandemic outbreak and the Corporate Risk Register (CRR) had been proactively changed to a Covid Risk Register. As the Council had moved to a more 'Business as Usual' period, Joint Management Team (JMT) had agreed in September to change the definition of Covid-19 from a risk to as a trigger reflected at the CRR and DRR level, and subject to escalation in the same way

as any other trigger. An update report on the Risk Register to be brought to the January 2020 Committee. Action Neil Hunter

In discussion issues included:

- Appendix B - Summary of Outstanding Recommendations over three months- the Chairman raised concerns regarding.
  - The Special Guardians Payments investigation – suggesting officers should exhibit caution if accusing people of fraud. He explained that he had carried out investigation work on behalf of foster carers regarding one off loyalty payments when they had been accused of fraud for receiving additional payments had had found the overpayments had been the result of other legitimate payments being coded to the same heading, as an accounting convenience. His view was that it would unfair to fine people in such cases.
  - Ely Bypass – expressed concern if there was any intention to move delegations away from Committee level.
- Appendix A Page 9 - Audit Plan - Regarding that 42 items had been removed from the Audit Plan and 27 not started, the Chairman asked that an e-mail from Internal Audit be sent to the Committee to explain how it was intended to reschedule them. He also asked that an explanation should be provided for each of the removed items to be included in the January update. This could be by a simple one line addition e.g. Moved to March 2021  
Action: Neil Hunter
- Appendix A page 9 - Audit Plan - The Vice Chairman in noting how clever fraudsters could be, asked whether the reduction in the number of days from 75 to 30 was appropriate. It was explained that the update figure for November compared to the start of the Year figure represented the days still to be carried out and was on the basis that they had already undertaken approximately 45 days fraud audit work. The 75 days was a constant figure each year and if during the year there were additional referrals, they were risk assessed and if seen as an issue, more resource provided. Assurance was given that Internal Audit were very proactive in this area.

As referenced earlier by the Chairman, the last area from the Internal Audit report for discussion was with regard to paragraph 3.4 'Highways Contract Open Book Review'. It was explained that following an initial Highways Service Contract Review undertaken by Internal Audit that raised concerns around reconciliation between actual costs and payments not having been completed, Internal Audit were asked to assist the reconciliation of payments made by the Council to costs incurred by the contractor.

In February 2020 the contractor confirmed that, in validating their reconciliation they had identified a significant overpayment, which had been repaid to the Council via a credit note. The Chairman asked what period the payment covered. In reply it was explained that until full reconciliation information was provided, the Council could not accurately state what this period was, but had made clear to Skanska that accepting the payment would not prejudice the full reconciliation exercise and the open book review still to be undertaken. The contractor had given assurances that the remaining information required to complete the reconciliation (s) for the three financial years up to and including 2019/2020 would be submitted by 27<sup>th</sup> November. The Chairman requested an e-mail be sent on Monday 30<sup>th</sup> on whether the information had been received, copied to the rest of the Committee Action Neil Hunter/ Richard Lumley *(Post meeting Note: the information was received on the said date and the Chairman informed accordingly).*

At the last meeting the Committee requested that the service officers attend the current meeting and Graham Hughes Service Director for Highways and Transport and Richard Lumley Assistant Director of Highways were welcomed to the meeting to speak to their update report. This was provided as confidential Appendix C to the Internal Progress Report and whose circulation had been limited to the Committee and relevant officers.

Before consideration of the confidential appendix, Members were asked if they had any questions / issues they wished to raise which did not reveal business sensitive information.

- One Member suggested that issues with the Contract had been ongoing for the last 4-5 years. It as clarified that they were in the third year of the Contract, the reference to four years in the paragraph was an error.
- Another Member suggested that the overpayment had only been discovered when Skanska had tried to validate what the Council had paid them and that they had approached the Council when their books showed the work undertaken did not correspond to what the Council had paid under the contract. In reply it was explained that there were two control mechanisms in the contract, the first being the ‘pain and gain mechanism’. This related to the agreed terms of the contract whereby the price, which had been agreed as being value for money was used as the estimate for the cost of works carried out, with the pain and gain mechanism being explained by the officer. The pain being if the job was not carried out to specification, then penalty monies were deducted from the payment. The second was reviewing the actual costs of delivering the Contract and then comparing the figures to the payments made by the Council. It was this second phase the auditors were now pursuing.

## 289. Exclusion of Press and Public

It was resolved:

to agree that the press and public be excluded from the meeting on the grounds that the report contained exempt information under Paragraph 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed in discussion as it contained information relating to an individual and the financial or business affairs of any particular person (including the authority holding that information)

## 290. Highways Contract Confidential Appendix

Members considered the confidential appendix relating to the Highways Contract.

It was resolved to:

- a) Note the report and agree the revised Audit Plan at Appendix A.
- b) Provide a further report to the January Committee on the ongoing discussions with Skanska.
- c) To provide an email to the Chairman on whether Skanska had provided the additional financial information already requested due to be received at the end of the week.

## 291. Date of next meeting 2.00 p.m. 26<sup>th</sup> January 2021.

Chairman  
26<sup>th</sup> January 2021