

Audit and Accounts Committee: Minutes

Date: 4 June 2025

Time: 2.00pm – 3.50pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors C Boden (Chair), P Fane (Vice Chair), L Navarro, C Poulton and G Wilson

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

S Brown, KPMG External auditor

1. Notification of the Chair and Vice Chair for 2025/26

Council appointed Councillor C Boden as Chair of the Audit and Accounts Committee for 2025/26 and Councillor P Fane as Vice Chair at its meeting on 20 May 2026.

The Chair paid tribute to the previous chair, Councillor G Wilson, and previous Vice Chair, former councillor N Gay, for the sensible and non-partisan way they had managed committee business. It was his intention to continue that practice. He encouraged committee members to give him advance notice of any specific or complex questions they intended to raise to share with officers in order to obtain the best answers.

2. Apologies for Absence and Declarations of Interest

There were no apologies for absence.

Councillor Boden declared an interest at Item 10: Debt Management Update as a trustee of the Fenland Association of Community Transport (FACT). He left the meeting room for the duration of a question and answer on this topic. Minute 10 below refers.

3. Minutes – 27 March 2025 and Minutes Action Log

The minutes of the meeting on 27 March 2025 were approved as an accurate record and signed by the Chair.

The minutes action log was reviewed and the following updates noted:

- Minute 185 - KPMG Audit Plan for Cambridgeshire Pension Fund 2023/24: BDO had discounted the fee payable and details had been shared with the current chair and vice chair of the committee. It was agreed that the Public

Sector Audit Appointments (PSAA) determination should be shared with all committee members for information. **Action required**

- Minute 22 - Internal Audit Progress Report: The terms of reference of the audit of the Council's highways contract would be circulated to committee members once they had been reviewed by the Head of Internal Audit and Risk Management. **Action required**

4. Petitions and Public Questions

There were no petitions or public questions submitted.

5. Financial Reporting and Related Matters

The report set out the statutory financial reporting process with some historical background to the current position in Cambridgeshire. Backlogs in external audit reviews had developed over time at a large number of councils, including Cambridgeshire County Council. The Government was seeking to re-set the position through the use of backstops and disclaimed opinions. All audit matters for 203/24 had now been resolved, with the exception of one outstanding objection to the accounts. Work on the 2024/25 accounts was on track to deliver by the backstop deadline. A disclaimed opinion was expected for 2024/25, and work was continuing to return to a non-disclaimed position. It was estimated that the earliest this was likely to be achieved was 2027/28.

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

- asked about the potential implications for local government reorganisation (LGR) of many local authorities having disclaimed audit opinions. The Executive Director of Finance and Resources advised that the S151 officer group and CIPFA were looking at this, but bringing together a large number of accounts was inherently difficult. Officers would work collaboratively, but had a duty to their own local authority. The Chair noted that it would be difficult for the external auditors of the new unitary authorities not to offer disclaimed opinions if questions around the opening balances of the accounts of their constituent members remained when the new authorities were established.
- welcomed the early work being done around property valuations for the 2024/25 accounts. External advice was being taken in relation to the valuation of This Land Ltd, the Council's wholly owned development company, and the Pension Fund Committee was looking at the valuation of the Cambridge and Counties Bank. The recommendations from the previous year's audit around asset valuation had been acted upon and an extensive assurance process was in place.

The report was noted.

6. Draft External Audit Plan 2024/25

KPMG set out the plan for the external audit for the period ending March 2025. The timetable had been agreed with management and any unadjusted audit differences above £1.2m would be reported. Work had already begun in a number of areas and the committee would receive progress reports during the year. An early assessment of the valuation of land and buildings was planned to identify any potential differences around these. The external audit would cover management override of controls and the valuation of post-retirement benefits. It would also assess the recoverability of long term debt relating to This Land Ltd. KPMG acknowledged the extensive work already undertaken around this by management, including taking external advice. A questionnaire would be issued to management around value for money (VFM), with follow-up meetings held with teams across the council and not just those in Finance. The audit fees had been agreed with Public Sector Audit Appointments Ltd (PSAA). A brief overview of the backstop arrangements introduced by Government to clear the national backlog of local government audits was provided. The backstop date for the 2024/25 audit would be February 2026, with the dates moving over time to return to the standard September date.

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

- asked whether the understanding of IT would focus solely on the financial aspects, or whether it would include cyber security. KPMG advised that their IT specialists would carry out a risk assessment of IT processes which would extend to cyber security. This would look at the level of reliance which could be placed on the general IT environment, but it would not necessarily be a full audit so the council might wish to seek additional assurance around this.
- sought more information around the council's treatment of loans to This Land Ltd and the recovery of long-term debt. KPMG advised that the business plan for This Land was under review and scrutiny by management. The audit risk concern was that the debt was not fully recoverable, so as a minimum the external auditor would expect an impairment risk to be undertaken and to make sure that the council had considered the code of practice around what was recoverable and what might be written off. The Executive Director of Finance and Resources stated that management had been working with This Land around its cashflow for over 12 months and would share that information with the external auditor. External advice had been obtained, and a robust challenge process was in place to ensure that the correct processes were followed if any adjustments were required through the accounts. It was for the directors of the company to satisfy themselves around going concern considerations rather than the council. The external auditor who signed off the accounts in 2024 were satisfied with that and as the sole shareholder the council had no issues of concern.

The Chair stated that the committee would like to hear about the potential effect of minimum revenue provision (MRP) and impairment provision on this in the coming months. **Action required.**

- asked whether unadjusted audit differences below the £1.2m materiality threshold could be shared with the committee. The Executive Director of Finance and Resources advised that every unadjusted audit difference would be shared with the committee for complete transparency.

- learned that an evaluation of the design and implementation of automated process level controls would be included in the audit. If there was any issue with the manual controls this would be raised.

The committee received the KPMG draft external audit plan for 2024/25.

7. Executive Director's Assurance Report: Children, Education and Families

During the last year, the Children, Education and Families (CEF) Directorate had received oversight from Ofsted around its inspection of local children's services (ILACS), which was shared with the Children and Young People (CYP) Committee. An action plan and an action tracker were in place to ensure that this was having the desired impact, and this had been reviewed by Internal Audit. A joint inspection of the local special educational needs and disabilities (SEND) partnership, by Ofsted and the Care Quality Commission, had also taken place earlier in the year with a mid-rated inspection point outcome received. Inspectors highlighted an inconsistent experience for children and young people with SEND and a joint improvement plan produced with the NHS would be submitted to the CYP Committee and the Children's Rapid Improvement Board. Financial transparency reports were reviewed weekly by the CEF Directorate Management Team, and the Cambridgeshire Schools Forum had established a High Needs Block sub-group to provide greater oversight and transparency. A further six outstanding Internal Audit actions had been closed since the meeting papers were published, three relating to the dedicated schools grant (DSG) and three to the Multi-Agency Safeguarding Hub. A summary of complaints was provided, and the Directorate was working to improve capacity in relation to SEND.

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

- commended the number of compliments received by CEF.
- highlighted the number of enquiries councillors received around SEND and delays in assessments. The Executive Director for Children, Education and Families advised that an Inclusion for All framework had been put in place, but this was still at an early stage. An increased investment in SEND capacity had been approved, and work was underway to work out the best way to use this.

The Chief Executive noted that national reforms around SEND were expected from Government which would require substantial financial investment. Significant changes to national policy and funding were needed in addition to the local response.

- expressed surprise at the low number of whistle-blowing reports. The committee learned that Internal Audit maintained a central log of whistle-blowing contacts. The Executive Director's assurance statement would report any contacts that were made outside of that central route. It was considered positive by the directorate that the majority of cases were being directed through the central route, but that staff felt able to use another route if they preferred.

The Chair commended the amount of work undertaken by the Children, Education and Families directorate during the past year, which had included some significant challenges, while recognising that there was still more work to be done.

The report was noted.

8. Internal Audit Annual Report 2024/25

An annual Internal Audit report was produced each year and contained the Head of Internal Audit and Risk Management's opinion on the adequacy and effectiveness of governance, risk management and control at the council. It also highlighted key areas of risk and focus. On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2024/25 financial year, their opinion was that Internal Audit could provide moderate assurance over the system of internal controls in place for the financial year ended 31st March 2025. This was based on the policies, procedures and controls in place to manage risk. Processes around compliance were generally operating as intended, but some issues had been detected. There had been a decrease in the number of limited assurance opinions issued in comparison to the previous year, demonstrating a good direction of travel. These areas of limited assurance were spread across different assurance areas, suggesting isolated rather than systemic issues. Some improvement had been seen on the implementation of audit actions in the context of more audit actions overall. Audit work on key financial systems was continuing, and whilst the final reports had not yet been issued a good opinion had provisionally been given for assurance and compliance in relation to accounts payable.

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

- asked whether the number of limited opinions in relation to schools' governance audits was higher than in previous years. The Head of Internal Audit and Risk Management advised that the key issue was the level of deficit recovery plans in the schools that were sampled. Where these plan were not sufficient it created a financial sustainability risk to council. This issue had been examined previously, and an improvement was expected when the recommendations made then had been implemented. All audit reports were shared with headteachers and chairs of governors at the relevant school, to be shared with the full governing body. An overarching report was also produced which addressed control weaknesses on the council side which was shared with the Children, Education and Families directorate.

The Chief Executive stated that the Education service and Schools Finance Team worked closely with maintained schools where these were in a deficit position, in addition to the discussions which took place through the Schools Forum. Escalation measures for the Education service to support schools were well embedded and informed by Internal Audit's work on individual school activity. Cambridgeshire's schools had experienced chronic national underfunding over time in comparison to schools in other parts of the country. The council would continue to support schools as best it could within the powers it had, but noted that the most recent teacher pay awards were not

being fully funded by the Department for Education which would further challenge school finances.

- noted that the Internal Audit team had spent over 90% of staff time on audits in the past year, and asked whether enough time was being built in for training. The Head of Internal Audit and Risk Management described frequent discussions within the team around continuous professional development. Weekly team meetings covered a range of topics and all Internal Audit staff were professionally qualified or working towards a qualification. Two staff members had undertaken specialist counter fraud training the previous year and it was hoped to do more of this.
- asked about the current status of the Safety Valve agreement reached in 2024. The Chief Executive advised that the council had made a re-submission in discussion with Department for Education officials, but this had not yet received Ministerial agreement. The Executive Director of Finance and Resources stated that a S25 report to Council in February 2025 had highlighted that the safety valve was being held off balance sheet via a statutory override. Even with the safety valve agreement the council had seen its level of deficit continue to grow, and if this continued it would be in excess of the council's reserves position. More information was anticipated as part of the Chancellor's spending review announcement the following week. The statutory override was currently expected to be removed in March 2026 at which point the high needs spending block deficits safety valve deficits would move onto councils' balance sheets. This had the potential to trigger over a hundred S114 notices across the country.
- The Chair asked about the extent to which the committee should have any concerns about the Head of Internal Audit and Risk Management's moderate opinion, or where there was limited assurance. The Head of Internal Audit and Risk Management stated that the first two elements of an audit looked at what controls were in place and whether these were automated or manual, and then at compliance with these controls. The third aspect was organisational impact. Committee members were encouraged to look at the organisational impact when considering Internal Audit opinions, as a major organisational impact would mean that the council was exposed to significant risk. During the last year only the Learning Disability Partnership pooled budget arrangements with the Integrated Care Board was identified as having this potential level of impact. More detail around the audit findings would be shared at the next meeting.

The Chair welcomed the reference to the committee's work within the annual report. On three occasions in recent years the committee had referred issues to the relevant policy and service committee when it was not satisfied with the speed with which Internal Audit recommendations were being addressed.

The report stated that in line with Global Internal Audit Standards 8.3 and the CIPFA Code of Practice, the Council's audit committee must satisfy itself on the effectiveness of internal audit, taking into account conformance with the standards, interactions with the committee, performance and feedback from senior management. The committee confirmed unanimously that was so satisfied.

9. Global Internal Audit Standards

Internal Audit was subject to new mandatory Global Internal Audit Standards (GIAS) from 1st April 2025. The report provided an overview of these standards and the level of service compliance. The Internal Audit team charter had been refreshed and updated to reflect these new standards and had been submitted to the committee for approval. The team was generally conforming to the new standards, with some further actions required in 2025/26. It was recommended that external assessment of the team's conformance with the new GIAS standards should be arranged for the current financial year. Reciprocal assessment within the public sector was no longer permitted, so some councils were forming wider groups with their heads of internal audit carrying out external assessments within that group. It was proposed to explore whether this model would work for this council.

A member commented that there was still some risk involved even with a wider network and asked about the cost of using someone entirely external, as they might also have a wider perspective having worked with more councils. The Head of Internal Audit and Risk Management advised that some market research was planned around this, although an increase in demand for these services following the introduction of the GIAS might make them harder to obtain. The Chief Executive stated that he had used a separate organisation to provide an external audit assessment in a previous role. This had proved positive in terms of their independence, but their understanding of the local authority's environment and operational context was less strong. The Chair observed that it would be interesting to see if external assessment made any significant improvements in practical terms.

It was resolved unanimously to:

- a) review and approve the proposed Internal Audit Charter, including the Internal Audit Mandate and the Internal Audit Strategy (attached as Annex A).
- b) approve the proposal for an external assessment of conformance with GIAS in the UK Public Sector to take place in 2025/6, as set out in section 3 of the report.

10. Debt Management Update

The report included an exempt appendix containing the Corporate Risk Register. Committee members confirmed that they did not wish to move into confidential session to discuss this.

A large range of organisations and individuals paid the council money, and the report provided an update on the collection of monies owed. Adult social care (ASC) was highlighted as a means tested service which often saw vulnerable clients or their families managing their fees. This had previously been an area of focus for the committee due to rapidly increasing debt. There had been a £4.1m decrease in overall debt compared to a year ago, including a significant decrease in ASC debt even though an additional £7.8m had been billed in relation to ASC compared to the previous year. This had been achieved through improvements in financial

assessments and debt collection. The number of debts between 184-385 days overdue remained higher than would be wished and remained an area of focus. This was mainly due to complexities around ASC including dealing with the Court of Protection and the executors for clients who had passed away.

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

- welcomed the reduction in overall debt and the actions being taken to address remaining debt, but suggested that the focus on debt recovery should remain in place until the position was more fully resolved rather than moving this to a business as usual (BAU) footing. The Service Director: Finance and Procurement stated that additional resources remained in place within the Finance and ASC teams for the current financial year, but there was a need to put long-term processes in place. A monthly management board was keeping resource levels under review.
- asked about the impact of ASC debt recovery on the council's financial sustainability. The Service Director: Finance and Procurement advised that positive steps had been taken during the past year, and a level of debt in this area was being seen across the sector. Progress had also been made recently in relation to an NHS partner debt.
- noted that whilst unallocated credits on the debtors' ledger was currently at around £500k out of an overall debt of around £44m, this still represented a significant improvement over the previous two years. The Head of Finance Operations confirmed there was a drive in the Income team to continue to reduce this figure, including around £200k of unallocated credits dating back two years. A process was in place to write these back where appropriate.
- the Chair asked whether consideration had been given to selling debts to generate income. The Service Director: Finance and Procurement was not aware that this had been considered previously. This might be more relevant to commercial rather than ASC debt, but this could be explored. **Action required**

A member had given notice prior to the meeting of their intention to ask a question relating to the Fenland Association of Community Transport (FACT). The Chair left the meeting room for the duration of this question and response due to a conflict of interest in relation to his position as a trustee of FACT. The Vice Chair chaired the meeting in his absence.

- a member stated that they had received a briefing and email the previous year on FACT which confirmed that no write-off or accounting decision was required from the committee in relation to this. They were comfortable with this but felt that a report should at some stage be taken to a committee so that councillors were aware of the quantum of grant involved and the work undertaken historically by the police and PKFL. The Chief Executive highlighted the sensitive nature of this issue. The Monitoring Officer's advice would be sought on the most appropriate committee to receive such a report. **Action required**

It was resolved unanimously to note the actions and approach being taken to manage income collection and debt recovery.

11. Committee Agenda Plan

It was noted that the previous committee had met with Internal Audit and KPMG on 27 March 2025. KPMG's recommendations had been accepted by the Chief Executive, with the exception of one relating to risk. The Head of Internal Audit and Risk Management advised that the annual risk report would be presented to the Strategy, Resources and Performance Committee in June and to the Audit and Accounts Committee in July 2025. This would include an updated risk strategy and would address an outstanding action within the existing strategy around the benefit of reviewing an external risk management function.

The committee agenda plan was reviewed and noted.

12. Committee Training Plan

The committee training plan was reviewed. The Chair invited members to contact himself or Democratic Services with any thoughts about training between meetings.

It was resolved unanimously to approve the committee training plan.

[Chair]