Audit and Accounts Committee: Minutes

Date:	30 January 2025
Time:	2.00pm – 3.53pm
Place:	New Shire Hall, Alconbury Weald
Present:	Councillors D Ambrose Smith, N Gay (Vice-Chair), G Seeff, A Sharp, A Whelan and G Wilson (Chair) Non-voting co-opted member: M Hussain (via Zoom)
External Auditors:	S Brown, KPMG E Larcombe, KPMG

202. Chair's Announcements

The Audit and Accounts Committee's annual report 2023/24 was presented to Council in December, and the Chair thanked Councillors Gay and Boden for their input. The proposed revisions to the committee's terms of reference had been considered by the Constitution and Ethics Committee and would be recommended to Council for approval in February 2025.

203. Apologies for Absence and Declarations of Interest

Apologies for absence were received from Councillor C Boden.

There were no declarations of interest.

204. Minutes – 31 October 2024 and Minutes Action Log

The minutes of the meeting on 31 October 2024 were approved as an accurate record and signed by the Chair.

The minutes action log was reviewed and updates noted:

- Minute 192: Clarification was sought on whether the committee would receive reports stating whether S106 monies had been collected and accounted for, and the use of those funds. The Chief Executive advised that half yearly reports would be submitted to the Strategy, Resources and Performance Committee as part of the Integrated Finance and Monitoring Report.

- Minute 197: A report on OPUS People Solutions Ltd would be taken to the Shareholder Sub-Committee which would address the issues raised.

A number of actions were described as being in progress, and the Chair asked in future that an expected completion date should be included.

205. Petitions and Public Questions

There were no petitions or public questions.

206. Financial Reporting and Related Matters

An addendum report containing external auditor KPMG's summary findings report for the year ended 31 March 2024 was published and shared with committee members on 29 January 2025.

The Council had published its 2022/23 accounts in November 2024, which included a disclaimed opinion from external auditor EY. The Council had made representations to Public Sector Audit Appointments Ltd (PSAA) around some fees charged by external auditor BDO for the financial years 2016/17 and 17/18. A decision on this was awaited. The first backstop set as part of the national re-set of audit systems had been met, and a similarly disclaimed opinion was expected for 2023/24. The Council was considering a further consultation launched recently by Government on 'Local audit reform: A strategy for overhauling the local audit system in England', and was working with public sector bodies including the Society of County Treasurers on joint responses.

The Chair invited feedback on the proposal to mandate audit committees to include at least one independent member, and for views on whether the chair should be an independent member. The committee's existing independent member judged that it was best practice to appoint an independent member to audit committees. Once they were established consideration could be given to whether they might chair the committee, to provide longer continuity. The KPMG representatives confirmed that they had responded to the consultation and would reflect on what aspects of their response might be shared with the committee. **Action required**

A special meeting had been arranged for 26 February 2025 for substantive discussion of the 2023/24 audit findings and to seek agreement to the treatment of audit differences. Some adjustments were already in hand and good progress was being made. The new Shareholder Sub-Committee had looked at the business plan for This Land when it met earlier in the week. This Land was a large material debtor which would have implications for the 2024/25 accounts, and external accounting advice had been taken around this. There were some differences of opinion around the valuation of investment properties between KPMG's and the Council's own professional valuers.

KPMG advised that the February report would contain more information on each of the identified risk areas and value for money conclusions. A disclaimed opinion would be issued reflecting a number of areas where it was unable to conclude its work, but audit procedures had been carried out over the majority of the accounts. A conclusion could not be reached over opening balances and it would take a few years to resolve this. Management override of controls represented the majority of work so it would be unable to conclude this, which was the same as for other local authorities. Work on post-retirement benefit obligations had concluded with no adjustments identified and the assumptions used by council actuaries were in line with KPMG's expected range. The risk around the This Land debt position had been increased to potentially significant as it was in a net liability position at the end of March 2024. The external auditor noted that there had been quite significant challenge from the Council to This Land in-year to provide an updated business plan. This was not expected to conclude before the backstop date, but discussions were continuing with management around the accounting advice they have received.

Individual members raised the following issues in relation to the report:

- asked whether the differences in valuations were seen last year with the previous external auditor. The committee was advised that no valuation work had been carried out the previous year by EY as part of its disclaimed opinion. The Council had a small number of high value investment properties and there were technical reasons influencing the valuation differences. KPMG advised that this was more an area of judgement. The Council acknowledged the movement in the property market since 2022, and final valuations would be decided before the February meeting.

- sought clarification of the scale of the differences in valuations. KPMG advised that the final figures had not yet been agreed, but the PPE and investment valuations represented material sums.

- asked whether the Council had the right skills and abilities to ensure value for money (VFM) in relation to This Land. KPMG advised that this was a key consideration of its VFM work, and would be discussed with management in the coming weeks with a view provided for the February meeting. The Executive Director of Finance and Resources stated that a review in 2021 by EY had identified areas for improvement. The Council was on a journey in its relationship with This Land, and external support would be brought in as needed to get the right advice. The establishment of the new Shareholder Sub-Committee would contribute to strengthening existing arrangements. This was a highly technical area in relation to accounting treatment and work would be continuing over the next month or two to finalise the business plan.

- noted that KPMG had been unable so far to complete work on several key areas including movements in usable and unusable reserves to the 31 March 2024, management override of controls and valuations and asked if this work would be completed by February. KPMG advised that this would still be outstanding. They were unable to get comfort over opening balances and reserves for the previous year so work would be needed over a number of years to achieve that assurance. Management override of controls was a wide area of work which would not be concluded by the end of February. A small, non-material error had been identified in relation to non-capital expenditure so the sample would need to have been extended, but it had been agreed that there were more significant areas of work to focus on. A decision had also been taken that work on PFI could not be concluded given the timing of the backstop.

- asked whether auditors were producing a form of words to provide assurance to the public around the backstop being a national rather than local issue. The Executive Director of Finance and Resources advised he was engaging with CIFPA and the Association of Local Authority Treasurers around comms.

- noted that 2026/27 was the earliest date an unmodified opinion might be received. KPMG advised that a lot of preparatory work had already been done to understand how the Council worked in preparation for the next audit round. Key areas to be examined included financial sustainability, governance and economy, efficiency and effectiveness. Areas of potential VFM risk included This Land; the dedicated schools grant (DSG) deficit; solar farm investment; the Health and Safety Executive inquiry around the busway; waste PFI; and risk identification. These would not always be identified as risk areas, but they were the areas being looked at now.

- asked if the report would indicate issues to resolve in the future. KPMG advised that the audit was mainly focused on what happened in-year, but that it might flag possible implications for financial sustainability if certain issues were not addressed or the combined implications of a number of VFM risks. The Executive Director of Finance and Resources noted that normally a VFM report would have been provided earlier in the process. In bringing forward the officer report in response attention would be drawn to issues like the s25 statement discussed at the Strategy, Resources and Performance Committee meeting earlier in the week.

The report was noted.

207. Pension Fund Annual Report and Statement of Accounts 2023/24

The Pension Fund Annual Report was signed off by the Pension Fund Committee (PFC) on 2 October 2024, but it was the responsibility of the Audit and Accounts Committee to sign off the statement of accounts. The draft statement of accounts for 2023/24 was presented to the PFC in July 2024 and was well received. Both contributions and employer numbers went up during 2023/24, while the number of transfers was similar to the previous year. Benefits had gone up in line with inflation and there had been a slight increase in management costs. Investment assets had done well in-year, with an increase in closing net assets of around £500m. The accounts had been produced in line with CIPFA guidance. A few differences had been identified, but the intention was to sign off the accounts by the backstop date.

The Chair of the Pension Fund Committee advised that they were content with the accounts as they stood. Cashflow was being looked at carefully, and future challenges including the McCloud remedy and the introduction of the new pensions dashboard were highlighted.

Individual members raised the following issues in relation to the report:

- noted that the valuation of the pension fund was by its own actuaries, and asked how this was validated by the auditor. They learned that this depended on the asset class. Usually the valuation was carried out by investment managers, with the auditor checking this was a fair valuation. For more complex assets like the Cambridge and Counties Bank an external valuation was conducted. KPMG advised that the audit had gone well and would receive an unmodified opinion. Matters had progressed since the report was produced and the outstanding matters described had now been concluded subject to final review. KPMG had access to its own market data and in-house pensions experts and actuaries to provide assurance. An independent team of corporate finance specialists within KPMG had used its own model to produce a valuation range for the Cambridge and Counties Bank, and the Grant Thornton valuation sat within that range.

- noted that the Cambridge and Counties Bank valuation was identified as a management control weakness in the report, and asked for more information. KPMG advised that auditing standards for management review control were high in relation to having sufficient expertise in house. This could be difficult to achieve and would have a cost implication, so it would be for the Council and the Pension Fund to decide if that cost was proportionate. More could also be done to document the work that was already taking place.

- noted that KPMG had received six letters from other audit firms asking for work to be done on their behalf in relation to the Pension Fund's post-retirement benefit obligations, and asked who paid for that. The Investment and Fund Accounting Manager advised that this related to audit opinions for other constituted bodies within the Fund and a process was in place to recharge these where appropriate.

It was resolved unanimously to:

a) approve the Final Statement of Accounts 2023/24 and note the Pension Fund Annual Report for the 2023/24 financial year.

b) note the findings of external audit documented in the Audit Results Report.

208. Adults, Health and Commissioning Directorate Assurance Report

The Committee considered the first of the new directorate assurance reports which had been added to its work programme at members' request.

The Executive Director for Adults, Health and Commissioning (AHC) described the delivery of two actions identified in the Annual Governance Statement action plan around complaints. A system had been established to proactively review complaints, including the implementation of a directorate control board. Internal Audit had carried out a review of the AHC business planning process as part of the directorate's development of its 2024/25 business planning proposals. Its findings were presented to the Audit and Accounts Committee, with an update taken to the Adults and Health Committee in December 2024. Four actions remained outstanding, and the aim was for all of these to be completed by the end of March. The customer care annual report would be taken to the Adults and Health Committee in March, and the Care Quality Commission would be carrying out a site visit week commencing 31 March 2025 as part of its assessment of the Council's adult social care provision.

Individual members raised the following issues in relation to the report:

- asked about professional indemnities for external providers and the steps taken to check that insurance existed so that the Council was not exposed. The same question had been raised at the Adults and Health Committee and the Executive Director's recollection was that a process was in place, but he would check this and confirm. The Chair advised that the update should go to the appropriate committee. **Action required**

- expressed concern about the number of complaints they received around adult social care provision and asked whether officers were satisfied that everything was being done as well as possible. The Executive Director for Adults, Health and Commissioning advised that the information in the report was historical data relating to 2023/24. Any contacts made to Members voicing dissatisfaction with the service received could be passed to Adult Social Care and they would be treated as a complaint if that was what the person wanted. The number of complaints was not ideal, but the converse was that most people were satisfied with the service they received.

[Councillor Sharp left the meeting at 3.15pm]

The Chair asked whether the Head of Internal Audit and Risk Management (IA) was satisfied that the Adults, Health and Commissioning Directorate was addressing the IA recommendations. They confirmed this was the case. At present there were only four overdue actions for AHC and IA supported the work being done to close them down. IA was currently conducting a review of complaints. The Chief Executive noted that adult social care provision was commoditised and marketised and was mainly a commissioned service. This led to some of the inconsistencies in provision seen across the country. The Government had established the Casey Commission to examine adult social care, but this was not expected to report until 2028.

The committee:

a) scrutinised the contents of the paper, noting the contents and providing a view that there are internal controls in place within the Directorate; and

b) noted the actions and approach being taken to provide adequate internal controls, to reduce risks to the council, and support the delivery of key functions.

209. Adult Social Care Client Contributions – Methods of Credits

The report responded to a request from the committee for more information around the handling of adult social care debt. There were four main situations seen, of which the most common related to financial reassessments. It was acknowledged that this process could be challenging, especially where numerous reassessments were carried out leading to lots of changes to service users' accounts. In such cases the Adult Finance Team issued a statement of revisions and changes to provide transparency.

A member asked about the controls in place around updating accounts and the quality assurance process. The Head of Financial Operations for Adult Social Care advised that a series of controls were in place within the Adults Finance Team, including the segregation of duties between those inputting information and those checking it. A recent audit of the MOSAIC system had found the processes to be satisfactory. The Head of Internal Audit and Risk Management confirmed they had nothing to add.

The report was noted

210. Internal Audit Progress Report

The report covered the period to 31 December 2024. Section 7 advised of a reduction in the number of overdue agreed audit actions of 12 months or more which was positive. The overall number of overdue audit actions was down to 75 following the completion of more since the report was published. The audit plan had been updated and was still on track to deliver a balanced audit programme. The primary period of Internal Audit (IA) planning was now underway and a fully refreshed plan for 2025/26 would be presented in March for consideration. The report contained a short update on risk, and a full report would be submitted in March. The section on investigations included those where no further action was required. The National Fraud Initiative was starting to send matches for potential risk of fraud and updates would be provided to the committee.

The Chair welcomed the progress being made on IA recruitment and the transition of a Principal Auditor to the Finance Team.

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

- noted that an interim solution had been put in place in relation to the use of timesheets by Highways Services following IA recommendations made in 2019 and again in 2023/24. The committee might want to seek an update on a more permanent solution when the Executive Director of Place and Sustainability presented his directorate assurance report in March.

- asked about the implications for the corporate risk register of the proposals set out in the English Devolution White Paper. The Chief Executive advised that the corporate risk register was being reviewed to understand any changes that needed to be made in relation to this. It was anticipated that the Council would need its own bespoke risk register at some point in relation to risks around local government reorganisation, and a shared risk register with other local authorities.

- noted nine medium risk agreed actions and two high risk agreed actions relating to the 2023/24 payroll audit and asked if officers were comfortable with that number of issues. The Head of Internal Audit and Risk Management advised that this would depend on the nature and extent of the issues and the progress seen in some areas. There was a known issue around control accounts and work was happening to improve the position. There was also an action around quality assurance checking and the service was already responding on that.

- noted that there were dates missing for when overdue audit actions should be resolved, and learned that IA was dependent on the relevant services to provide those dates. The Chief Executive undertook to encourage the Corporate Leadership Team, specifically the Executive Directors, to provide these dates.
  Action required

The committee considered and commented on the content of the report.

211. Consultancy and Agency Spend

A report on expenditure on agency and interim staff and consultants broken down by directorate and team was brought to the committee twice a year. General spend across all categories was reducing compared to the same quarter last year. All expenditure of this type was subject to close scrutiny and required the approval of the Workforce Expenditure Panel.

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

- asked which committees received this information and the mechanisms for providing challenge. They were advised that the report was scrutinised by the Corporate Leadership Team before being submitted to the Audit and Accounts Committee. Consultancy assignments were reviewed by the Financial Transparency Panel which was chaired by the Executive Director of Finance and Resources and agency appointments were reviewed by the Workforce Expenditure Panel chaired by the Chief Executive, providing additional senior oversight and scrutiny around this spend.

- sought more information about the expenditure of £119k on one consultant for one quarter within customer and digital services. The Executive Director of Finance and Resources advised that this related to the decoupling from Peterborough City Council. He had approved the expenditure in accordance with the scheme of delegation to officers.

- received confirmation that the Procurement and Commercial team was in the process of updating the actions arising from the Internal Audit report on management and agency spend.

- asked whether interim appointments were subject to regular review and whether any appointees remained in post for years. They were advised that there were no indefinite interim appointments. An initial appointment would be up to 13 weeks, and any extension would require the approval of the Workforce Expenditure Panel. Reports were also submitted to directorate management teams to challenge any lengthy interim appointments. Longer interim appointments tended to relate to a specific piece of work or due to a shortage of skills in the market, but this was monitored.

- asked why interim appointments to the Graeter Cambridge Partnership were included in the figures. The Chief Executive advised that the Council employed all GCP staff and was the Accountable Body to Government for GCP funding. The nature of that organisation meant that some interim staff were employed to undertake specific pieces of work. The GCP was due to end in 2030, so getting the right mix of temporary and permanent staff could reduce future redundancy liability.

- asked for a note separating out the expenditure on GCP staff. **Action required**

The report was noted.

212. Committee Agenda Plan

The committee agenda plan was noted.