

## **AUDIT AND ACCOUNTS COMMITTEE: MINUTES**

**Date:** 7<sup>th</sup> June 2016

**Time:** 2.00 – 4.40 p.m.

**Place:** Room 128, Shire Hall, Cambridge

**Present:** Councillors: B Chapman, S Crawford, R Henson, P Hudson, M McGuire, M Shellens, (Chairman) and Peter Topping (Vice Chairman)

**Apologies:** Councillor Topping for lateness.

### **Action**

#### **207. APPOINTMENT OF CHAIRMAN / WOMAN**

It was resolved unanimously:

To appoint Councillor Shellens as the Chairman for the Municipal Year 2016-17.

In thanking the Committee for their continued support, Councillor Shellens also took the opportunity of welcoming Councillor Chapman to his first meeting.

#### **208. APPOINTMENT OF VICE CHAIRMAN / WOMAN**

It was resolved unanimously:

To appoint Councillor Topping as the Vice Chairman for the Municipal Year 2016/17.

#### **209. DECLARATIONS OF INTEREST - None**

#### **210. MINUTES**

The minutes of the meeting held on 15<sup>th</sup> March 2016 were confirmed as a correct record and were signed by the Chairman.

#### **211. AUDIT AND ACCOUNTS COMMITTEE ACTION LOG FROM MINUTES**

The Committee noted the completed actions / updates provided in relation to the minutes from the last meeting and earlier, outstanding actions as set out in the report.

The following issues were raised / comments made:

**Item 2 Minute 170. Internal Audit Progress Report to 31<sup>st</sup> October Whistle Blowing Poster redesign** - As an update it was indicated that the aim would be to roll out the new website and poster in August.

**Item 7 Minute 198 b) Request to find out how many agency staff the Council Employed** - As set out in the response, the Committee were sent an advance copy of the report submitted to the General Purposes Committee on 31<sup>st</sup> May. As an oral update to the text provided, Councillor McGuire highlighted that General Purposes Committee members had been very concerned at the slow progress in developing a County Council staff agency company and had asked that officers should progress in order to receive an update report at the July meeting.

**Item 8 Cambridge Library Enterprise Centre Review – Update on Action Plan Progress to Date - Spokes meeting Guidance**

The action for the Chairman to write to all spokes and remind them of spokes responsibilities was still an outstanding action.

**Cllr  
Shellens**

The Minute Log Update was noted.

**212. POLICING ARRANGEMENTS ON CONTRACTUAL COMPLIANCE ON EDUCATION TRANSPORT SERVICES**

At the previous Committee Meeting Members had considered an Audit report on safeguarding on home to school transport contracts and due to concerns at the small number of staff involved in policing arrangements on contractual compliance, had requested a specific follow up report.

The report clarified that the monitoring team, introduced in September 2009 following an internal audit and Member approval, consisted of three officers to cover all contracts in Cambridgeshire, In addition to the regular team, there were also two members of staff who were primarily involved in driver and escort training, but who also helped out for additional checks if required.

It was explained that compliance checks were carried out on a routine programmed basis throughout the year, with the aim of checking every home to school contract at least once a year at every school that had transport provided, which in 2014/15 was 221. There were currently around 870 contracts (127-128 operators). A check was carried out at all schools in 2014/15, which was the last full year, as the information was by academic year. In addition to the routine checking programme, spot checks were carried out with officers from the Driver and Vehicle Standards Agency (DVSA). Finally, checks were also carried out if specific complaints or issues were received, and these normally took priority over the routine checking programme, with the detail as set out in the report.

It was highlighted that in 2014/15 checks were carried out on 927 drivers and PAs, with 19 (2%) not having a completed DBS check through the County Council. As a comparison, the figure of unchecked drivers in 2010/11 was 7%. Work was progressing on the implementation of the recommendations in the audit report, with three having been completed on time or early. This involved making operators aware of the checking process, the requirement for rechecks every three years, and the implications for them if their drivers were not compliant.

The other recommendations were programmed for September and were on target. The aim of the changes would be to strengthen the penalty points issued through the contract so that there was a real deterrent to operators trying to provide drivers that did not have DBS clearance and instead of three instances of non-compliance leading to a contract being terminated, this would be changed to two. In addition, a protocol was being developed that could be distributed to operators, (so that they were aware of their responsibilities) and to schools and parents so that they knew who to report any concerns to. The intention behind the changes was to further reduce the current 2% failure rate.

Members comments /questions included:

- to ensure that operators were made aware that the penalties system was changing, so that they were aware of their responsibilities to ensure all drivers had been DBS checked.
- the need to have the aim of achieving 100% compliance.
- In response to a question on what happened to drivers who failed a check, it was explained that they would not be allowed to drive on the routes and this also applied to those where the check period had lapsed until it had been renewed.
- One Member expressed concern that there was not already a protocol in place. It was clarified that there was already a protocol, but what was being referred to was creating a written document that could be sent out.

In noting the report, the Chairman expressed his thanks to the officers for the work being undertaken to strengthen even further the current arrangements and was grateful that the issue was being taken seriously and looked forward to a future position where there were no drivers without a completed DBS check.

## **213. SYSTEMS IN PLACE TO ENSURE THAT SECTION 106 FUNDS DO NOT GO UNSPENT**

The Committee received a report describing the systems in place and the work underway to ensure that Section (S)106 funds were spent within their specified timeframes.

It was explained that Section 106 agreements usually contained clauses that stipulated that if the money paid by the developer to the Council was not spent within a specified time frame, then at the developer request, the Council must pay back the money, along with any interest accrued. If a scheme was no longer required and the Section 106 monies had been received, the County Council held the money in an interest bearing account until such time that the developer made a request for the money to be returned, unless the S106 specifically required the Council to repay the money without such request. It was highlighted that this money was an asset to the County Council as it

helped maintain a healthy cash flow. In the event that an applicable scheme was identified, but the scheme was delayed beyond the spend deadline of the S106 agreement, the County Council continued to allocate the S106 funds to that project.

The scenarios whereby the County Council did not spend S106 money on time were explained as being:

- The Infrastructure that was originally specified in the S106 was eventually not required, or did not cost as much as initially estimated;
- The Council was unable to complete the required project/s for given reasons within the specified time frame;
- Lack of awareness of the spend deadline.

It was explained that currently only £150k had been identified as being unspent on a total figure of £40m.

Section 4 of the report set out details of the Master Spreadsheet which logged details of all S106 agreements, including information on the spend deadline. It was kept up to date through a monthly (and year end) reconciliation exercise. It was however recognised that for some older agreements, the spend deadline data field had not been filled in consistently, which had led to gaps in the information.

S106 agreements with imminent spent deadlines in the 2015/16 financial year had been identified during January/February 2016 and steps had been taken to ensure that any funds were allocated to appropriate projects before the funding deadlines. All gaps in the spend deadline data on the Master Spreadsheet were currently being investigated and updated, and it was anticipated that the work would be completed by the end of June 2016. In future, relevant delivery managers would be given a two year advance early warning for all S106 agreements that were reaching their spend deadline. Over time it was anticipated that the detailed information on what the S106 monies should be used for would be added to the Master Spreadsheet. It was also highlighted that the County Council was currently awaiting a major update to the S106 monitoring database (APAS) which should deliver significant advantages to the current spreadsheet methodology.

**Questions / issues raised included:**

- Asking whether the County council had the resources to track Community Infrastructure Levy (CIL) monies spend in the same way as Section 106 monies. In response it was explained that while the County Council (CC) monitored Section 106 spend, district councils were responsible for collecting CIL monies and monitoring their spend.
- The Chairman was concerned regarding the ethics of not informing developers when money had not been spent and while accepting that it was not a legal requirement, considered there was a moral duty to inform them.

It was resolved unanimously:

That in noting the report it should be placed on record that the unanimous view of the Audit and Accounts Committee was to recommend that if Section 106 monies could not be applied against relevant expenditure by the deadline in the agreement, the County Council should ensure that the developer was informed in due course.

## 214. ISA 260 UPDATE REPORT

This report provided an update on the progress made on the recommendations made by the Council's previous external auditors PwC in their ISA260 Report for 2014-15. The Committee was reminded 2014-15 was the final year of the External Audit contract with PwC and that BDO who now undertook the function would, as part of their audit of the 2015-16 financial statements, assess whether the recommendations made by PwC had been fully implemented.

Questions raised issues discussed included:

- Asking and receiving confirmation from BDO that a new fixed asset register would be useful for Assets Under Construction (AUC) so that the whole AUC balance was reviewed as part of the Year-end process and that they would have raised similar concerns to those raised originally by PwC.
- The Chairman asked for clarification of the word 'anomaly' which was referred to in the third entry line of page 3 of the report. An example was provided of a service wrongly being charged e.g. teas and coffees provided at a meeting.
- Page 4 First line entry - list of all assets – **There was a request for a six month progress update on the 18 month project to register all 6,000 parcels of land purchased for highways schemes with the Land Registry. Action**
- Page 4 second entry - Council and Pension Fund – List of Related Parties – It was explained that at the time of writing the report there was only one outstanding response. **The Chairman asked that an update be provided at the next meeting.** (*Note: by way of an entry in the Minute Action Log*) **Action**
- Page 5 Bad Debt Provision - Latest position text reading "Allowances for doubtful debt are offset against the debtor amount shown as an asset..." – **The Chairman asked that an example be provided outside of the meeting. Action**
- Page 6 Bank Accounts - Text on latest position reading "Ten imprest (petty cash) accounts remain to be mapped to the GL and these are being investigated". **The Chairman requested a confirmation note when completion was achieved on these final 10. Action.**

Iain  
Jenkins

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It was resolved:

To note the position on the actions in respect of the recommendations in the ISA260 Report 2014-15.

**215. BDO EXTERNAL AUDIT PLANNING REPORT TO THE AUDIT AND ACCOUNTS COMMITTEE AUDIT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2016**

This report highlighted and explained the key issues which BDO believed to be relevant to the audit of the financial statements and use of resources of Cambridgeshire County Council for the year ended 31<sup>st</sup> March 2016. It formed a key part of their communication strategy to promote effective two-way communication throughout the audit process and followed on from the previous External Auditor's report. There would be further updates, but what was currently included reflected the outcome of the bulk of the risk assessment process.

In introducing the report, Lisa Clampin the BDO Engagement Lead Officer, clarified that the text in the second paragraph on page 1 was not an exclusion in terms of being available to the public, but a waiver of responsibility in terms of how other people might interpret its contents. Its publication on a public agenda represented permission having been granted to share its contents.

On receiving a presentation of the report's contents the following observations / issues were raised:

- Engagement table page 5 – required to be amended to reflect that the Audit and Accounts Committee received the draft Statement of Accounts Report at its July not its June meeting.
- Page 6 setting out the Audit Scope and objectives – with reference to number 5 'use of resources' the Chairman requested that **in respect of 'securing economy, efficiency and effectiveness in the use of resources' that future reports from the External Auditors should provide examples of best practice undertaken in other local authorities. Action**
- Page 7 Materiality thresholds – It was explained that these were lower for BDO than had been the case for PwC as the former did not currently have the same inherent knowledge of the Council as PwC who had been the Council's external auditor for a significant number of years. On a related question on whether this would increase the size of the fee charged, it was indicated that this was not necessarily the case as the size of the fee would be determined by any additional work required to be undertaken in respect of the overall risk level. There was also the need to ensure the independence of new auditors and for them to be allowed to have a fresh approach to assurance.
- The new Head of Internal Audit confirmed that he was relaxed

**Lisa  
Clampin**

about the approach to be undertaken and the fee levels as specified in the report.

- Page 8 Overall Audit Strategy – it was confirmed that External and Internal Audit would work together to ensure there was no duplication of effort.
- Page 10 – Opening Balances - Transport Infrastructure Assets – It was confirmed in answer to questions raised, that BDO's work to review the assurances on the opinion given by PwC on the infrastructure assets opening balance would not add to the fees and that AUC reconciliation would be undertaken on an annual basis. **The Chairman asked if there was enough resource to undertake the level of Highways activity referred to in the discussion. It was indicated that this would be looked into with relevant Highways officers outside of the meeting and reported back. Action**
- Page 11 Under 'Property, plant and equipment valuations' the Chairman requested that the second paragraph under the 'Planned Audit Response' column should be expanded to provide greater clarity. **In further discussion BDO suggested it could be deleted as it was a restatement of the previous sentence, but in more technical detail, and therefore was not adding value. Action**
- Page 13 Sustainable Finances – It was confirmed that the figure of £51m savings for 2016-17 was still accurate. **The Vice-Chairman suggested that in a year's time commentary should be included which indicated whether the Council's risk in respect of its sustainable finances position had improved or worsened. Action.**
- Page 15 Fees – It was clarified that the figure of £94,061 was the scale fee determined by Public Sector Audit Appointments Limited (PSAA) and was set without consultation with the Council or negotiation with the audit firms. Variation from the scale fee could occur, but required the approval of both the audited body and PSAA. The non-audit services fee for work separately contracted between BDO and the Council was outside of the PSAA contract regime and was, therefore, directly negotiable. Currently the £7,794 sum being reported had been agreed between BDO and the Council's Chief Finance Officer. It was clarified following a query, that the note regarding accountant assurance on the teachers pensions return would be in respect of work to be undertaken in 2016, on the return made for the year ended 31 March 2016.
- It was clarified, following a question raised by a Member, that agreement on the fees was not being sought at the current meeting.

Sarah  
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Lisa  
Clampin

Lisa  
Clampin

It was resolved:

To note the report.

**216. DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16**

This report presented the Annual Governance Statement (AGS) for 2015/16 for consideration by the Committee in advance of its sign off by the Chief Executive and the Chairman of the General Purposes Committee.

**Lisa Clampin suggested that an additional paragraph should be added setting out the significant risks and what was being done to address them. Action**

**N  
Hunter**

It was resolved:

To agree that the AGS was consistent with the Committee's own perspective on internal control within the Council and the definition of governance issues given in paragraph 3.2 and for it to be signed off by the Chairman of the Committee, subject to the inclusion of the additional paragraph referred to above.

**217. REVIEW OF LGSS INTERNAL AUDIT (CAMBRIDGESHIRE) COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)**

The Committee received a report which asked it to note and approve the results of the self-assessment undertaken by Internal Audit which showed that it remained compliant with the requirements of PSIAS in 2015-16 as detailed in Appendix 1 to the report.

As the Chairman expressed some doubt as to the value of the self-assessment exercise, it was explained that it was a requirement for Councils Internal Audit teams to comply with the required standards. An independent assessment was to be undertaken later in the year to provide the required independent assurance.

Comments included:

Page 7 – Under Public Sector requirement – the text under evidence of achievement reading “The Head of Internal Audit attends Audit and Accounts Committee meetings and Chair’s briefings six times a year” should have the addition of the words “or his deputy” in order to reflect the time when he was unable to attend, due to clashes with other authority Audit meetings. **Action**

**N  
Hunter**

Page 17 – 2060 Reporting to Senior Management and the Board – in response to a query from the Vice Chairman, it was confirmed that the Board was the Audit and Accounts Committee and not General Purposes Committee.

Page 25 - 260 - Communicating the Acceptance of Risks – The Vice



Chairman in noting the text reading “Where risks identified in audit reviews are accepted by management, this is recognised in the Audit Report issued. If it is felt that management has accepted a level of risk that may be unacceptable to the organisation this would firstly be discussed with directors, and then if the matter was not resolved would be brought to the attention of the Audit and Accounts Committee at the next meeting” asked what the process would be if the issue was considered time critical? The question raised was on the basis that as there had been a three month gap between the March and June Committee meetings. In response it was explained that the Head of Internal Audit would meet with the Chairman and Chief Executive and suggest actions, and then if considered necessary, this could be expanded to involve the whole Committee.

It was resolved;

To approve the results of the self-assessment against the Public Sector Internal Audit standards.

## **218. INTERNAL AUDIT ANNUAL REPORT 2015/16**

The Public Sector Audit standards require that the Head of Internal Audit presents an annual report to the Authority’s Audit and Accounts Committee for its consideration and that it should be made aware of the Head of Internal Audit’s opinion on the state of the Internal Framework within Cambridgeshire County Council.

The Head of Internal Audit indicated that on the basis of the audit work undertaken during the 2015-16 Financial Year:

- the internal control environment (inclusion the key financial systems, risk and governance) was well established and in practice, operated effectively.
- there were no outstanding significant issues from the work undertaken by Internal Audit
- there was a good direction of travel from 2014-15 which included the significant changes made on how the service audited the key risks of the organisation as detailed in the report.

However, this was qualified by the fact that as no systems of control could provide absolute assurance against material misstatement or loss, nor could Internal Audit provide this assurance, the level of assurance remained at a similar level to 2014-15.

In presenting the report, Neil Hunter formally introduced Duncan Wilkinson who would be taking over as the LGSS Internal Head of Audit from 1<sup>st</sup> April.

For the reviews undertaken during 2015/16, only one area ‘Home to School Transport’ was identified where, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. An action plan to address the identified weaknesses in the control environment had been agreed with the Service, with several

actions already having been undertaken. Internal Audit intended to undertake follow up all actions to confirm implementation and report back to the Audit and Accounts Committee.

In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit had issued recommendations to further improve the system of control and compliance. Where the recommendations were considered to have significant impact on the system of internal control, the implementation of actions was followed-up by Internal Audit and reported to this Committee on a quarterly basis. An overview of the implementation of actions in 2015-16 was summarised in Table 1 to the report.

Of the actions still outstanding at the end of the year, 7 related to the Central Library Enterprise Centre review. A number of the actions agreed as part of this major review had significant dependencies on the current Corporate Capacity review which in some cases had delayed their implementation.

It was highlighted that the following action was outstanding at the end of 2015-16 but represented a significant reduction in outstanding actions compared to 2014-15, when 29 recommendations had been outstanding at the end of the year.

Audit	Recommendation	Target date
Traded Services	<b>Annual business plans</b> - Units that do not produce an annual business plan create these plans in future, in order to improve clarity of purpose and ensure consideration of both the short- and long-term within service planning and targeting.	31/12/15

In respect of the above, the Chairman asked how the above was to be actioned, as the original target date had been December. In reply it was explained that most of the traded services units were in the Learning Directorate under Keith Grimwade, the Director of Learning, and as part of the transformation project, officers were looking at the various traded services in terms of the possibility of having one commercial trading arm.

**Action: it was agreed that Democratic Services should invite the Director of Learning and the Schools Finance Manager to the September meeting to set out the progress being made.**

**RVS  
contact  
K Grim-  
wade / M  
Wade**

Paragraph 4.2.4 Table 2 of the report set out the key financial systems

audits undertaken during 2015/16. The outcomes of all risk based completed internal audit reviews issued in 2015/16 (excluding counter fraud investigations and school audits which were itemised separately in sections 4.6 and 4.10) were set out in Appendix A of the report.

Investigations in respect of anti-fraud and corruption were detailed in section 4.6 of the report. In terms of the alleged theft of cash from a library safe, **officers were asked to contact the affected libraries to ensure the guidance issued was being followed. Action**

M Kelly

In terms of the second from last investigation listed in the table on page 12 **'Allegations that a dependent's pension due to a disabled service user had been paid to and used by, other family members' and the action to seek repayment of the funds, the Chairman asked that an update be provided in due course. Action.**

M Kelly

In terms of the continued shrinkage in the workforce which would result in some management controls no longer being carried out, there was the potential that this could to an increase in the level of attempted fraud and as a counter to this, the Fraud Prevention Team would undertake further work in this area.

Section 5 of the report set out the detail of the Internal Audit performance and quality assurance, with table 5 detailing Internal Audit Resources input in days in the specific areas of audit review. **There was a request to ensure that where good practice had been identified in schools, this should be shared with other schools head-teachers' and governors.**

M Kelly

The Chairman placed on record his congratulations to the Head of Internal Audit and his team for the work undertaken during the year which had led to significant improvements.

Having discussed the contents and requested additional action in some cases it was resolved:

To approve the Annual Internal Audit Report.

## **219. CAMBRIDGE LIBRARY ENTERPRISE CENTRE REVIEW – UPDATE ON ACTION PLAN PROGRESS TO DATE**

This report provided an update on the progress implementing the recommendations set out in the Cambridge Library Enterprise Centre Review Action Plan which had been reformatted from previous versions so that completed actions were now included at the back end of the CLEC Action plan appendix.

Going through the update document appendix, attention was drawn to the following:

- 2.1 Confidentiality Agreements Policy – as at the time of the March meeting no update on the action had been provided by the Director of Law, Procurement and Governance, the Chairman

undertook to telephone him to request progress against the action. As on oral update to the text in the report, it was confirmed that the Chairman had spoken to Quentin Baker and the issue was now being followed up by Internal Audit regarding the need for a report to General Purposes Committee.

- 3. Project Management and Gateway Review Process Protocol Reviews – At the previous meeting it had been indicated that this was still awaiting the completion of the Corporate Capacity Review which had not been expected to be completed until at least October. **An oral update by Chris Malyon, the Chief Finance Officer, indicated that the October deadline referred to in the text would not be met and the Plan required updating. Action.** On a further question on the text stating that **the Gateway Review Process currently did not include provision for a peer review or challenge as it was an internal process, the intention was to change this to enable such activity. Action: Report back on progress.**

**M Kelly**

**M Kelly**
- 4. Options Appraisal, Market Research and Procurement – In terms of developing project management guidance and identifying good practice from partner organisations, an oral update indicated the intention would be to develop a training programme linked to the Corporate Capacity Review.
- 4.2 Updated Guidance on the Review of Project Management – A meeting had been arranged for 21<sup>st</sup> June to discuss the contents to ensure the new guidance explicitly dealt with the original action point regarding all risks to a project being reported to the relevant committee.
- 5.4 New Committee Management System – This was due to go live later in the week. *(Post meeting update note: it went live on 14<sup>th</sup> June)*

It was resolved:

to note the progress being made against the Cambridge Library Enterprise Centre Review Action Plan **and to receive a further report at the July Meeting.**

**M Kelly**

## 220. ASSURANCE FRAMEWORK SIX MONTHLY UPDATE

This report provided the Committee with the sources of assurance related to key controls for the Council with the Assurance Framework having been updated for work undertaken in the last six months, changes to the Corporate Risk Register and to reflect assurance due from the 2015/16 Internal Audit Plan.

The Assurance Framework used the 'Three Lines of Defence' format used to emphasise that the responsibilities for providing the Audit and Accounts Committee with assurance spread much wider than Internal Audit in isolation. It was explained that Framework reflected changes to

the Council's Corporate Risk Register and as a result risks 5, 6, 7, 8, 10, 11, 12, 13, 14, 16, 17, 18, 19, 25 and 28 were not included within the Framework. These corporate risks had either been closed, transferred to service level risk registers or have been consolidated with other risks within the register.

The Chairman at a pre-meeting briefing had challenged the need for the report which duplicated the Risk Register. In reply, the Interim Head of Internal Head of Audit explained that the Assurance Framework had been adopted in 2008-09 when the Governance Statement was in its infancy and was a way of summarising the entire control environment of the Council. Due to the duplication with the Risk Register, it was recommended that it should be discontinued.

Specific Issues discussed raised by Members in the report included:

- AF1a) - Formulation of 5 Year Business Plan - In response to a question regarding whether there was a timetable of savings in the year, the Chief Finance Officer indicated that a Savings Tracker had been introduced in the current year.
- AF16 - Members and Officers working together to achieve a common purpose with clearly defined roles – The Chairman suggested that political disagreement was a risk. This was acknowledged, especially around budget time.
- AF25 - Identification of the principle risks to achievement of objectives – The Chairman asked who added new risks and what the process was. Sue Grace explained that regular review of the Risk Register was undertaken by Senior Management Team (SMT) who consulted on changes with Group Leaders, General Purposes Committee and also reported them to this Committee. In addition, Service Committees reviewed their own risk registers on a regular basis. In respect of what comparison was made with other authorities' Assurance Framework / Risk Register documents, details were given regarding the East Midlands Risk Management Group. Lisa Clampin indicated that External Audit had sight of other authority Assurance Frameworks that they would be happy to share.
- AF30 - The Pension Fund is materially underfunded – with reference to this, the Chairman made the point that the Fund had consistently failed to achieve benchmark and the policy of managed funds was one that required review.

It was resolved

That having noted the report and the duplication with the Risk Register, it was agreed that the Assurance Framework should be deleted from the Committee Work Programme and reports no longer be produced for the Committee.

## **221. ANNUAL RISK MANAGEMENT REPORT**

This report provided:

- details of the Key Corporate Risks faced by the Council,
- informed the Committee of the outcome of the Annual Review of the Risk Management Policy
- Reported on the development of the Council's risk management approach during 2015-16
- Identified the proposed developments in risk management in 2016-17.

It was reported that the Corporate Risk Register had been reviewed by SMT on 16<sup>th</sup> May who concluded that it was a comprehensive expression of the main risks facing the Council and that:

- mitigations in place were adequate and effective;
- where issues were dynamic / evolving (e.g. transformation agenda) there was active engagement (including respect for the Committee process in the agreement of risks and their management) to develop and implement proportionate mitigations; and
- therefore each risk was being appropriately managed.

It had also been reviewed by General Purposes Committee at their meeting on 31<sup>st</sup> May who had no comments to add.

Appendix 1 to the report showed the profile of Corporate Risk against the Council's risk scoring matrix and illustrated that there were three residual risks:

- Risk 1a) Failure to produce a robust and secure Business Plan over the next 5 years
- Risk 1b) Failure to deliver the current 5 year Business Plan 2016-2021
- Risk 9 'Failure to Secure Funding for Infrastructure'

The table in paragraph 3.2 provided an analysis of Directorate Residual Risks as at May 2016 illustrating that there were 71 risks recorded in service risk registers. Actions were planned against the previously reported red risks for ETE and CFA.

During 2015/16 the re-organisation of Internal Audit and Risk Management had been implemented with the risk management support role having been integrated into the work of two Regional Internal Audit and Risk Managers. The major development for 2016/17 would be to implement the new risk management system 'Grace' (Governance, Risk and Control Evaluation) across the Council which would ensure that the Council continued to receive effective support in the facilitation and co-ordination of risk management in an aligned manner with Northamptonshire County Council and Milton Keynes Council.

In reviewing the Risk Register the following issues were raised:

- Page 3 Risk 3 - 'The Council does not have appropriate staff resources with right skills and experience to deliver the Council's priorities at a time of significant demand pressures' – In reply to a question to clarify the acronym ASYE, it stood for 'Assessed and Supported Year in employment'. The Chairman asked whether there were statistics regarding the number of people applying for key jobs and whether the numbers applying had fallen due to the poor public image of local government. It was indicated that HR monitored key posts recruitment and provided statistics to SMT.
- The Vice Chairman queried the top two risks for delivery which had been red and had now changed to green, as he considered this to be a big shift. In response the Chief Finance Officer indicated that these were as a result of the mitigations put in place.

It was resolved:

To endorse the Annual Risk Report.

## **222. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR PERIOD ENDING 31<sup>ST</sup> MARCH 2016**

The Committee received the above report considered by General Purposes Committee on 31<sup>st</sup> May who had agreed the recommendations without amendment as set out in the late report 16a) which set out the draft minutes from that meeting and which the Chairman agreed to take under his Chairman's discretion.

Key points identified were that:

- The overall revenue budget position was showing a forecast year end underspend of £6.5m (-1.8%), which was an increase of £0.1m from the previous month, for the reasons set out in the report.
- Key Performance Indicators. There were 20 indicators in the Council's new basket, with data currently being available for 18 of these. Of these 10 were on target (previously 8).
- The Capital Programme was showing a forecast year end underspend of £59.6m (-29.0%), which was an increase of £1.8m since the previous month. The majority of the increase was due to further slippage within Economy, Transport and Environment's capital programmes.
- Balance Sheet Health; the original forecast net borrowing position for 31<sup>st</sup> March 2016, was £453m. This projection had now fallen to £348m, down by £34m from the previous month. This was largely as a result of changes to assumptions around the net expenditure profile of the capital programme and changes in expected cash flow since the Business Plan was produced in February 2015.

Issues raised by Members included:

- a) Why the forecast net borrowing had reduced by £34m in one month? It was explained that such changes were not unusual towards the end of the financial year due to slippage and balance sheet reconciliations. There were fluctuations in cashflow during the year depending on the date due to factors such as salaries being paid, and grants being received.
- b) With reference to paragraph 3.2.3 Public Health and the 'Stop Smoking Savings' and the text showing £295k savings having been planned and £473k having been realised, the Chairman questioned the value of continuing the service. It was explained that the savings had been made as a result of the in-year requirement to make considerable further savings in the Health budget as a result of a Government decision on funding.
- c) Page 197 – para 3.2.4 – with reference to the forecast underspend on the Digital Strategy having increased by £144k in the month, due to slippage on projects that had now been completed, a question was raised regarding the impact on Transformation plans. In reply it was explained that the slippage was due to under capacity in respect of the current systems. Officers were now looking at the additional technological requirements needed and would go back with a budget request report to General Purposes Committee.
- d) Page 207 - 8. **Balance Sheet showing the level of debt outstanding for owed to the Council for both 4-6 months and greater than 6 months had increased.** While it was explained that these were mainly in relation to adult social care and were being looked at urgently **the Chairman requested a more detailed written explanation outside of the meeting. Action**
- e) The Chairman queried why the graph on page 208 showing net borrowing at the end of 2014-15 was so different to the position at the start of 2015-16. It was explained that a substantial volume of grants and funding were paid over to the County Council at the start of the financial year.
- f) **The Chairman queried how the £4m Prudential Borrowing in the table at paragraph 6.4 related to the net borrowing in the graph at paragraph 8.2. The Chief Finance Officer undertook to respond outside of the meeting.**
- g) Appendix 2 - Reserves and Provisions In response to a query from the Chairman on why the grand total line showed a substantial difference between the Balance figure at 31<sup>st</sup> March of £171,972,000 and the forecast Year-end balance at 2015-16 of £110,061,000 it was explained that these significant capital reserves will have been applied between this March update report and year end.

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It was resolved:

To note the report.

**223. DRAFT AGENDA PLAN**

Noted with the further updates agreed at the meeting.

**224. DATE OF NEXT MEETING 2.00 p.m. TUESDAY 12<sup>th</sup> JULY 2016**

This would be preceded by a training session on Risk Management commencing at mid-day.

Chairman  
12<sup>th</sup> July 2016