

AUDIT AND ACCOUNTS COMMITTEE: MINUTES

Date: Tuesday 15th July 2014

Time: 2.00 p.m. to 5.10 p.m.

Present: Councillors S Crawford, R Henson, J Reynolds, M Shellens (Chairman), P Topping (Vice Chairman) and J Williams

65. NEW COMMITTEE MEMBER

The Committee noted that Councillor Hudson had replaced Councillor K Reynolds as a full Committee member.

66. DECLARATIONS OF INTEREST

There were no declarations of interest.

67. MINUTES – 10th JUNE 2014

The minutes of the meeting held on 10th June 2014 were approved as a correct record and signed by the Chairman.

68. ACTION LOG

The Committee agreed a number of ongoing and follow-up actions:

- Page 1, action 1, good communications/public influence on Council policy – The Chairman would meet with relevant officers regarding how many residents had been consulted and whether the consultation had been sufficiently comprehensive Councillor Shellens
- Page 8, action 12 – The Committee had previously expressed concern that the lack of key worker housing was a contributing factor in not being able to recruit social workers. Members remained concerned at the risks faced by the Council in relation to recruitment and requested a follow-up report from Human Resources on Countywide risks relating to recruitment, whether these are increasing and the actions being taken to address them Democratic Services/ Human Resources
- Page 10, action 16 – The Head of Internal Audit reported that the Workforce Development Strategy was now scheduled to be issued in 2015/16. Members expressed concern at the continuing delay and asked the Head of Internal Audit to liaise with Human Resources to submit an interim report to the Committee Jonathan Idle/ Human Resources
- Page 14, paragraph 9 – A new fault at the AmeyCespa plant in Waterbeach meant that it was currently unable to process green waste. Members asked the Strategic Finance Officer to e-mail confirmation to the Committee that the terms of the Council's contract with AmeyCespa meant that this would not result in any additional cost to the Council. Ian Smith

69. DRAFT STATEMENT OF ACCOUNTS 2013/14

The draft Statement of Accounts was currently being audited by the Council's external auditors. It would be brought back to members for final review and approval at the Committee meeting on 23rd September 2014.

Members requested the following amendments to the draft:

Ian Smith/
Chris Yates

- Page 10, first paragraph, 'The Council's total reserves have decreased to £777m by 31st March 2014' – note to be added of the level from which they have decreased
- Page 14, third paragraph beginning 'Despite this deal' – meaning to be made clearer, i.e. financial difficulties remain despite the City Deal, not least because the Deal does not cover the whole County
- Page 22, increase in impairment for bad debts – note to be added explaining that the step change is due to a decision taken by Adult Social Care to provide for a higher percentage of debts currently owed, due to a revised view on the degree of risk involved
- Page 45, loss on disposal of non-current assets – note to be added explaining that this relates largely to the transfer of asset values when maintained schools become academies
- Page 71, trading operations – note to be added explaining the reasons for deficits on some trading units
- Page 74, senior employee remuneration – first two columns are identical, layout to be simplified
- Page 89, impairment losses – note to be added explaining the definition of 'material' impairments
- Page 92, liabilities extinguished on settlements – note to be added explaining the meaning of this
- Page 102, archaeology and monuments – reference to be added to the new location of the Council's archaeology collection
- Page 106, Pension Fund – reference to be added to the Pension Fund Annual Report, published separately
- Page 109, membership of Pension Fund – note to be added of the in-year change to the number of employer organisations within the Fund
- Page 114, derivatives – explanation of derivatives and example to be made clearer

- Page 118, transfers in from other pension funds – paragraph beginning ‘Transfers in from other pension funds are contingent on positive transfer elections ...’ to be written more clearly
- Page 137, current liabilities – concern expressed at apparent tenfold increase in sundry payables; accounting issue to be resolved through ongoing dialogue with external auditors
- Page 139, organisations participating in the Pension Fund at 31st March 2014 – those organisations joining in the past year to be flagged
- Page 153, members’ allowances – details of members’ allowances paid in 2013/14 to be removed from the Statement of Accounts. Councillor J Reynolds queried the stated payments made to him.

Members also asked for the following actions to be taken:

- Page 54, assets under construction –the Committee to be e-mailed a list of projects covered by this heading Chris Yates
- Pages 70 and 71, trading operations – Children and Young People Committee to be asked to review the deficits on some trading units. Democratic Services

It was resolved:

To acknowledge and comment on the 2013/14 Statement of Accounts as submitted for audit, ahead of its final review and approval at the September Committee meeting.

70. LGSS DRAFT STATEMENT OF ACCOUNTS 2013/14

The Head of Finance (Northamptonshire County Council (NCC)) and the Group Accountant – Closedown (NCC) presented the LGSS draft Statement of Accounts for 2013/14. Members noted that this was the first year that LGSS had prepared a separate Statement of Accounts, at the request of the Audit Commission. The Audit Commission had appointed KPMG to undertake the external audit of the Statement. The LGSS Joint Committee would formally approve the final version on 30th September 2014. Prior to this, the final version would be considered by Northamptonshire’s and Cambridgeshire’s Audit and Accounts Committees, Cambridgeshire’s on 23rd September 2014.

Members requested the following amendments to the draft:

Jonathan
Lee

- Page 5, table showing six-year financial profile – relationship between net budget, budget reductions and figures for following years to be checked and clarified
- Page 13, table showing movement in reserves – columns to be reordered correctly

- Page 14, Comprehensive Income and Expenditure Statement – reference to taxation and non-specific grant income to be amended or note added to show that LGSS does not pay tax
- Page 15, Cash Flow Statement – note to be added explaining the reason for substantial movement in debtors, primarily a new authority joining LGSS

Members also asked for the following action to be taken:

- Page 8, balance sheet – Members queried whether LGSS not owning any capital assets, these belonging to the respective host authority, effectively constituted a hidden subsidy. They asked officers to review the position that had been adopted with the external auditors and to send a more detailed briefing note.

Jonathan
Lee

Members made the following suggestion relating to the LGSS Outturn Position for 2013/14, which had been provided as context to the Statement of Accounts:

Iain Jenkins

- Page 6, Cambridge Office, teachers' pensions budget underspend – clarify that this budget relates to an officer working on teachers' pensions, not the pensions themselves

It was resolved:

To acknowledge and comment on the 2013/14 LGSS Statement of Accounts as submitted for audit, ahead of its final review at the September Committee meeting.

71. INTEGRATED RESOURCES AND PERFORMANCE REPORT FOR THE PERIOD ENDING 31st MAY 2014

The Committee received the Integrated Resources and Performance Report for the period ending 31st May 2014. This had been considered by the General Purposes Committee at its meeting on 1st July 2014, which had agreed the recommendations as set out in the report. Members were reminded that the role of Audit and Accounts Committee when receiving the report was to consider whether effective processes were in place for financial management.

Members made the following comments on the report:

- Page 4, looked after children placements – expressed concern that higher than anticipated numbers of children were needing to be placed in residential placements; this situation would need to be monitored closely and the realism of budgets reassessed if a trend emerged
- Page 4, older people and adult mental health – questioned the basis of the assumption that £2.2 million of planned savings would be achieved within the financial year.

In relation to both of these comments, members noted that the Service Committees would be responsible for the regular monitoring of budgets for their areas. More useful information about trends would become available as the financial year progressed.

Members also requested the following actions:

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| <ul style="list-style-type: none"> • Page 5, County offices – asked the Effective Property Asset Management Project Officers to send members an update on the marketing of Castle Court | Phil
Emmett to
liaise |
| <ul style="list-style-type: none"> • Page 11, reduced volume of acute bed days attributable to adult social care – asked to see specific targets for reductions. | Phil
Emmett to
liaise |

72. ANNUAL INTERNAL AUDIT REPORT 2013/14

The Head of Internal Audit presented the Annual Internal Audit Report for 2013/14. This included the Head of Internal Audit's opinion on the state of the internal control framework within the County Council. The report would form part of the evidence supporting the Council's Annual Governance Statement for 2013/14.

Members agreed the following actions arising from the report:

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| <ul style="list-style-type: none"> • Level of implementation of Internal Audit recommendations – shared the Head of Internal Audit's concern at poor levels of response to Internal Audit recommendations within agreed timescales. Members commented that if initial timescales proved not to be realistic, these should be re-negotiated with Internal Audit and reported to the Committee. The Head of Internal Audit agreed to consider what further actions could be taken to improve performance and to report back to members. The Chairman offered to send letters if appropriate. | Jonathan
Idle/
Councillor
Shellens |
| <ul style="list-style-type: none"> • In-year changes to the Internal Audit Plan – welcomed the Head of Internal Audit's proposal that these be reported to the Committee on a regular basis, not only at the year-end. | Jonathan
Idle |
| <ul style="list-style-type: none"> • Safer Recruiting (Schools) – expressed concern that the assurance level assigned was at 'moderate' level. It was noted that the Service Director: Learning would continue to work with schools and governors to address the issues identified. Members agreed to ask the Service Director: Learning to attend the Committee meeting on 25th November 2014 to provide an update and to answer questions. The Chairwoman of the Children and Young People Committee would also be invited to attend. | Jonathan
Idle/
Democratic
Services/
Keith
Grimwade |

It was resolved:

To note the Annual Internal Audit Report for 2013/14 and to comment as set out above.

73. INTERNAL AUDIT PROGRESS REPORT INCLUDING PROGRESS IN IMPLEMENTING MANAGEMENT ACTIONS TO 17th JUNE 2014

The Head of Internal Audit presented a report setting out the main areas of audit coverage for the period from 1st March 2014 to 17th June 2014 and the key control issues arising.

As under the previous item, members again expressed serious concern that the 2013/14 review of safe recruitment in schools had resulted in only moderate assurance overall. Members agreed to ask the Service Director: Learning what actions could be taken against non-compliant schools.

Jonathan
Idle/
Democratic
Services/
Keith
Grimwade

It was resolved:

To note the progress being made against the approved Internal Audit Plan and the material findings and themes identified by Internal Audit reviews completed during the period.

74. CODE OF CORPORATE GOVERNANCE

The Head of Internal Audit invited members to review the Council's Code of Corporate Governance. Annual review was required to ensure that the Code continued to comply with guidance issued by the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

The Chairman noted that he would pass on a number of minor comments to the Head of Internal Audit.

Councillor
Shellens/
Jonathan
Idle

It was resolved:

To approve the updated Code of Corporate Governance.

75. APPROACH TO VALUE FOR MONEY

Following discussion at the Committee meeting held on 10th June 2014, the Head of Internal Audit presented a report setting out a proposed approach to obtaining assurance in relation to the effectiveness of commissioning projects. He proposed that this be delivered using contingency resources as set out in the Internal Audit Plan.

It was resolved:

- 1) That Internal Audit contingency resources should be used to examine Value for Money (VFM) across a range of Council services and initiatives
- 2) That the Head of Internal Audit should undertake planning across Council services and report back to the Committee on 23rd September 2014 with a detailed plan of VFM reviews to be completed within 2014/15.

Jonathan
Idle

76. AGENDA PLAN

The agenda plan was agreed, subject to updates identified earlier in the meeting and to the reassigning of reports from Steve Tinkler and John Davies to Jonathan Idle.

Democratic
Services

77. ADDITIONAL ITEM – OLDER PEOPLE’S CARE HOMES

The Chairman reported that he had received an e-mail from Councillor Crawford, in which she expressed concern at recent reports that some older people’s care homes were failing to deliver standards of care and that the Council had been asked to provide additional staff.

The Committee asked the Head of Internal Audit to provide a report to their meeting on 23rd September 2014 on the monitoring of contracts with these care homes and the level of assurance available as to their financial management.

Jonathan
Idle

78. DATE OF NEXT MEETING

It was noted that the next meeting would be held on Tuesday 23rd September 2014 at 2.00 p.m.

Chairman
15th July 2014