

## Audit and Accounts Committee: Minutes

Date: 31<sup>st</sup> October 2024

Time: 2.15pm – 4.47pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors D Ambrose Smith, H Batchelor, C Boden, N Gay (Vice-Chair),  
G Seeff and G Wilson (Chair)

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

Sarah Brown, KPMG	External auditor
Harry Foscoe, KPMG	External auditor
Jacob McHugh, EY	External auditor (via Zoom)

### 191. Apologies for Absence and Declarations of Interest

Apologies for absence were received from Councillor A Whelan, substituted by Councillor H Batchelor, and Cllr A Sharp.

There were no declarations of interest.

### 192. Minutes – 30<sup>th</sup> July 2024 and Minutes Action Log

The minutes of the meeting on 30<sup>th</sup> July 2024 were approved as an accurate record and signed by the Chair.

The minutes action log was reviewed. Members were advised that the establishment of a s106 Board had completed a previous action relating to a deep dive into s106 monies. The Chair queried whether there were any missing monies from developers. It was agreed that an update would be provided around whether the Internal Audit report was being actioned through the s106 Board, in particular around monitoring of the recording and receipt of s106/ community infrastructure levy (CIL) funds. **Action required**

### 193. Petitions and Public Questions

There were no petitions or public questions submitted.

## 194. Review of the Audit and Accounts Committee Terms of Reference

The Committee's terms of reference had been reviewed and refreshed in line with the Committee's most recent self-assessment of its effectiveness and the CIPFA position statement. Key changes included removing repetition and duplication, reflecting the CIPFA position statement on audit committees in local authorities and the police, and highlighting members' commitment to attending all meetings and avoiding use of substitutes wherever possible.

In discussion of the report, Members:

- queried the proposed deletion of section (i) 'To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations. Codes of conduct etc.' The Head of Internal Audit advised that it had been felt that this duplicated the provision elsewhere, including at section (vi) 'To consider the arrangements for corporate governance, and to secure assurance across the Council's full range of operations and collaborations with other entities, and to agree necessary actions to ensure compliance with best practice.' It was also felt there was some overlap with the responsibilities of the Constitution and Ethics Committee, with the wording revised to reflect the Audit and Accounts Committee's focus on controls. The Monitoring Officer clarified that the Constitution and Ethics Committee had overall responsibility for the Constitution and the Assets and Procurement Committee dealt specifically with asset and procurement rules. If issues around processes were highlighted by Internal Audit findings the Audit and Accounts Committee could refer those issues to other committees for consideration.
- welcomed the inclusion of a right of access to and constructive engagement with other committees/ functions.
- were encouraged to discuss any issues they might want to raise with the Head of Internal Audit so that they could advise on the correct route to follow.
- asked what measures were in place to ensure that accepted audit recommendations were implemented. The Head of Internal Audit advised that much of this was covered in the implementation of audit activity section of the regular Internal Audit progress reports which the committee received, and that when services reported that an action had been implemented the Audit team sought to verify evidence that this was the case before the action was closed.

KPMG advised that they had not checked the revised terms of reference directly against the CIPFA code, but that it looked like what they would expect to see.

It was resolved unanimously to review, comment on and endorse the updated Terms of Reference for the Committee, for submission to Constitution and Ethics Committee and on to full Council.

## 195. Financial Reporting and Related Matters

The Council had published its draft statement of accounts for 2022-23 in July 2023. However, the external audit of those accounts had not taken place and it was expected that EY would issue a disclaimed opinion in late November or early December in accordance with the Government's backstop date. It was expected that this would make clear that the disclaimed opinion related to a resourcing decision by the auditor not to prioritise the 2022/23 audit and the backstop date rather than any weaknesses in financial reporting. Work with KPMG on the 2023/24 audit had been delayed from the original timetable, but was progressing well.

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

- asked whether disclaimers would apply to the value for money (VFM) audit. KPMG advised that a separate backstop date applied to VFM and that it could not be disclaimed. EY would need to complete a full assessment of VFM with a formal conclusion by the end of February 2025. The Executive Director of Finance and Resources advised that the expectation was that the consideration of any objections by local residents should be concluded within that timeframe. It would be for the auditors to decide if they had sufficient information to determine the objections.
- spoke of the importance of recognising the difference between a vexatious objector and a vexatious objection. It was important that vexatious objections were dealt with expeditiously, but there must be integrity in looking at any objections that were raised. The Executive Director of Finance and Resources stated that the Council would be required to publish an accountability statement unless there was an objection which was carrying on or being appealed, but due process around how any objection was assessed was for the external auditor to decide. The Council encouraged full openness and transparency and due process being followed.
- noted that EY's completion report for 2022/23 had been received too late to be included in the meeting papers, but had been shared informally with committee members. The EY representative advised that their ISA compliant work was now complete. Two areas remained outstanding and these would be resolved ahead of the backstop date. Their draft final opinion was awaiting internal approval and this was expected within the next week, while the statement of reasons to close out objections was expected to be completed within the next fortnight. The audit of the Pension Fund was a separate issue and was expected to receive an unqualified opinion.
- asked whether an assurance would be provided on the closing balance for 2023/24. KPMG stated that the guidance from CIPFA was clear that a modified opinion would need to be issued for the 2023/24 financial year. At CCC they should be able to undertake significant work on the opening and closing balance position, so although it would be a disclaimed opinion they would provide their own report which would provide more detail around the work they had done. The

Executive Director for Finance and Resources stated that they were responsible for signing off the unaudited accounts and that significant work was undertaken to enable them to do that. The [CIPFA Bulletin 18](#) published the previous day pulled together all the relevant guidance and set out the way forward in relation to backstop positions and working out of that. It would be a difficult road, and the role of the committee would be critical in providing assurance to the public.

- asked whether it was likely to take several audit cycles before an unqualified audit opinion might be offered. KPMG confirmed that it was expected that it would take a number of years to build back to a fully unmodified opinion. This view was shared by most local authority auditors. The Executive Director of Finance and Resources stated that CIPFA bulletin 18 envisaged that it would take until 2026/27 to return to an unqualified opinion. A member highlighted the importance of communicating this timeframe clearly.
- emphasised that it was important to make clear that the reason for the disclaimed opinion for 2022/23 was not as a consequence of anything the Council or the auditors had done, but due to a wider lack of audit resource. The Executive Director of Finance and Resources advised that this was made clear in the draft EY report.
- understood that there was a fair amount of audit work for 2023/24 which would not be done, and asked if there were implications for this in the fees. KPMG advised that they would undertake all of the work that would usually be carried out in relation to the closing balance sheet. The challenges related to the opening balance sheet position as they would not be able to do that work. Some auditors were limiting their work for 2023/24, but at Cambridgeshire the intention was to do as much work as they were able. The Finance team was supporting this.

It was resolved unanimously to:

- a) note the report.
- b) permit the approach to finalisation of the 2022-23 accounts as set out in section 2.2 of this report, and delegate authority to the Chair of this Committee, and the section 151 officer, as appropriate, to give the necessary approvals on behalf of the Council to this effect.

## 196. Annual Report of the Audit and Accounts Committee

The Committee considered the draft annual report for 2023/24 which would be considered by Full Council on 10<sup>th</sup> December 2024.

The Chair sought the committee's views on the issues they would want highlighted when the report was presented to Council. This might include the disclaimed audit opinion on the 2023/24 accounts and timeframe envisaged for returning to an unqualified opinion, the implications of the new Procurement Act and an invitation to

all members to consider whether there were any issues they would like Internal Audit to investigate.

Individual Members offered the following comments on the draft annual report:

- expressed disappointment that there was relatively little mention that the committee operated in a non-partisan way and in the interests of the Council as a whole. They would like to see that reference strengthened.
- commended the large amount of work done by Internal Audit during the period.
- suggested mentioning that the committee had during the past year exercised its constitutional right to refer matters to policy and service and committees for their attention or further action.

It was resolved unanimously to review the proposed annual report to Full Council and agree any changes required.

## 197. Internal Audit Progress Report

The Internal Audit progress report provided an overview of key aspects of internal audit activity since the committee had met in July. There were 79 outstanding agreed audit actions as at 30 September 2024, an increase of 4 since the previous report. There were also some audit actions which had not been accepted by a service which were included for the committee's attention. There had been a reduction in some days on the updated audit plan due to staffing issues, including the lack of a corporate risk manager due to the preferred candidate having withdrawn. A summary of all whistleblowing cases was included in section 9, as requested at the previous meeting.

The Chair noted that the Adults Directorate Business Planning Review and Challenge audit had an assessment of limited assurance. This had been reported to the Section 151 Officer and the Executive Director for Adults, Health and Commissioning, but it was for the committee to decide whether it should also be drawn to the attention of the Adults and Health (A&H) Committee. The Executive Director of Finance and Resources advised that this audit finding related to the robustness of the savings plan, and that the savings position to which it related would have been reported to A&H as part of its finance monitoring report.

On being proposed by Councillor Wilson, seconded by Councillor Boden, it was resolved unanimously that the Internal Audit report on the Adults Directorate Business Planning Review and Challenge audit, which found limited assurance and made a number of recommendations which have been accepted by the Executive Director, be submitted to the Adults and Health Committee for consideration.

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

- asked whether Internal Audit checked that audit actions had been completed. The Head of Internal Audit advised that the Internal Audit team followed up the implementation of actions classified as medium, high or essential. This was done through a review carried out by Internal Audit on evidence submitted by the service, and did not rely solely on an assurance from the service that an action had been completed. If an issue was of particular concern a follow-up audit would be scheduled within one to two years.
- received confirmation from the Executive Director of Finance and Resources that the timetable for the dedicated schools grant (DSG) safety valve audit action of 31 October 2024 had been met and that a revised safety valve plan had been submitted to the Department for Education.
- expressed shock that it had not been possible to confirm whether a shareholder agreement and corporate contract with OPUS People Solutions Ltd could be located. OPUS was designed to get a large number of local authorities working together to achieve cheaper recruitment solutions. It had been originated by Suffolk County Council (SCC), with Cambridgeshire County Council taking out a shareholding of around 8-9%. The member expressed concern that the larger shareholding retained by SCC meant that a disproportionate proportion of the savings achieved by the scheme went to SCC rather than being shared out between shareholders. They expressed the hope that the relevant officers would look outside of the meeting at whether the situation was equitable. **Action required**
- asked about the decision not to implement all of the suggested actions from the audit of consultancy spend and how the Authority could obtain assurance that consultancy spend remained well controlled and was delivering against agreed actions. The Head of Internal Audit advised that there were controls in place whereby sufficient approvals were required before a consultant could be procured. There were fewer controls in place around ensuring continued compliance with the Consultancy Policy once the consultant was in place, for example in relation to linking payments to outcomes and the completion of conflict of interest forms. The key control was the Consultancy Policy, which was directive, but there was a lack of stronger preventive or detective controls to ensure the policy was followed. Some of the recommendations suggested by Internal Audit as part of the review had been rejected due to a lack of resource in the Procurement and Commercial team. The actions proposed were risk rated 'medium' by Internal Audit and the financial materiality of spend on consultants was around £1-2m per year. The Council's ability to demonstrate value for money around consultancy spend had been an area of focus in recent years, and there was a need to balance the level of risk with the cost of additional control measures.

The Chief Executive emphasised the importance of managers taking responsibility in this area rather than being overly reliant on specialist support teams. The Executive Director of Finance and Resources stated that this issue had been brought to his attention and had been flagged with the Corporate Leadership Team. He would also be talking to the wider leadership team about further compensating controls being introduced in a number of areas, including consultancy spend.

- asked whether everything in the Corporate Risk Register and key performance indicators (KPIs) was covered on the Internal Audit forward plan. The Head of Internal Audit advised that the review of the internal audit plan included looking at how the planned work linked to identified corporate risks and that they were confident that there was coverage of key areas. A review of KPIs was part of the core audit plan, and the new performance framework approved that morning by the Strategy, Resources and Performance Committee included a requirement that the Governance and Performance team would also conduct their own audits on a rolling basis.

It was resolved unanimously:

- a) to consider and comment on the content of the Internal Audit progress report.
- b) that the Internal Audit report on the Adults Directorate Business Planning Review and Challenge audit, which found limited assurance and made a number of recommendations which have been accepted by the Executive Director, be submitted to the Adults and Health Committee for consideration.

## 198. Corporate Risk Register

The Corporate Risk Register report had been considered earlier in the day by the Strategy, Resources and Performance (SRP) Committee. The focus at that meeting was on the numbers while the Audit and Accounts Committee's focus was on the processes in place to manage risk.

The residual risk score for Risk 3: Risk that the Council does not have enough budget to deliver short and medium term corporate objectives had increased from 12 in June to 16 in October, which was above the Council's risk appetite. This was primarily due to the expected end of the statutory override and the accounting treatment of deficits within the dedicated schools grant (DSG) high needs block funding. The Committee's attention was drawn to the retitling of Risk 5 from the failure of corporate governance to the risk of serious failure of corporate governance to reflect that the focus of that risk was on governance issues with the potential to have a serious impact on the organisation.

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

- expressed concern that all 19 controls relating to Risk 3 were about the budget and nothing was about the agreed short and medium term corporate objectives. Councillors bore overall responsibility for determining the Council's risk policy and risk appetite, and they were not sure that there was a mechanism for councillors to provide effective input and challenge around what was in the risk register and the risk controls and action plans. This issue had been raised earlier in the day at SRP and the Chief Executive had offered to provide a response outside of the meeting. **Action required**
- asked if there was a timescale for the property risk database referenced at section 3.1.3. An update was offered outside of the meeting. **Action required**

The Corporate Risk Register was noted.

## 199. Debt Management Update Report for October 2024

The headline position reflected a heightened level of debt, although progress was being made through the Debt Improvement Project. The current overall debt position of £26.3m (excluding NHS ICB debt) represented an increase of £4.3m compared to the same period in 2023/24. However, the unapplied amounts had decreased, and a month on month improvement was being seen compared to earlier in the year. Adult social care was the most complex area of debt as it involved working with vulnerable clients. There was an upward trajectory in the amounts being billed for social care and this lay behind some of the increase in the debt figures. There had also been a reduction in the financial assessment backlog. Collection performance was encouraging and the report detailed a number of debt management improvement initiatives. Progress was also reported in relation to the NHS debt position with around £17m cleared in recent months, although a significant sum remained in dispute. This related primarily to the Learning Disability Partnership.

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

- asked about the process around debt right offs. The Service Director for Finance and Procurement advised that there was a formal process in place which accorded with the scheme of financial management. Heads of service had authority to write off debt up to £10k and the Section 151 Officer had authority to write off debt up to £25k. Any proposed right-offs above that limit required committee approval. More write-offs were expected during the current financial year.
- recognised the work being done to attempt to address some of the issues raised, but considered that the overall picture was not good and further improvement was required.



- noted that Table 2 showed the amount due, but not an aged debt position. The committee did not get that analysis by directorate, and the member felt this would be useful. They also felt it would be helpful to have an explanation of the arrangements around adult social care debt and how this affected the accounts and the timing of it. They also sought an assurance that robust action was being taken in pursuit of the remaining NHS debt. The Service Director for Finance and Procurement offered a further breakdown by directorate and agreed that the casting would be reviewed. **Action required** The progress made so far in relation to NHS debt was welcome and it was confirmed that a robust approach was being pursued in relation to the remaining sum, including exploring legal and contractual avenues. The Chief Executive advised that the Council had a duty to work closely with its partners, especially where this was to the benefit of service users, but this must be backed up by appropriate and fair sharing of costs and resources. It was important to recognise the positive work being done by the NHS, and he was confident that all necessary steps were being taken to protect the Council and maintain a tenable relationship with the NHS. The Chair commented that many of the NHS debts were old and needed to be pursued, and commended the work being done.
- asked whether new debt was being chased quickly enough and requested a breakdown of the debt balance showing what was actionable, what had happened and what was going to happen in relation to a financial modelling analysis. The Service Director for Finance and Procurement advised that officers considered that the biggest risk related to the 360+ days category of debt and that attention would be focused on that area. A further breakdown could be provided. **Action required**

The Committee noted the actions and approach being taken to manage income collection and debt recovery.

[The meeting was adjourned from 4.20pm – 4.29pm]

## 200. Annual Whistleblowing Report 2023/24

The Annual Whistleblowing Report 2023/24 highlighted the outcomes of the annual staff whistleblowing survey and arrangements for publicising the whistleblowing process, including through the recently launched fraud eLearning module which had been made essential learning for all staff. The report also contained information on the number of whistleblowing referrals received, which was showing an increase year on year. The updated whistleblowing policy was attached at Annex A. This included the Chief Executive taking on the newly created role of the Council's Whistleblowing Champion, and clarified the distinction between confidentiality and anonymity.

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

- asked whether whistleblowing had resulted in any system changes or changes to control systems. The Head of Internal Audit advised that this varied depending

on the nature of the concern and the findings of the investigation, but that formal or informal advice was provided to services as appropriate. Where investigations into whistleblowing cases identified actions which Internal Audit rated as 'medium' risk or higher the actions were followed up and reported to the Committee alongside other audit actions in the regular Internal Audit Progress Reports.

- commended the report as the most blunt and honest they had seen from any local authority, commenting that being open and honest with staff was key to establishing trust and enabling change. The Chief Executive stated that the overall culture of the organisation continued to receive his personal attention and that of the Corporate Leadership Team. He had deemed it important to provide an unvarnished picture of the current position to encourage confidence in the whistleblowing process and the organisation's ability to change.
- expressed disappointment that so few employees had responded to the survey.
- expressed concern about the increase in the number of people who had considered making a referral and the reasons they gave for deciding not to. It was important to hear what they were saying as this raised questions about the culture that existed.

It was resolved unanimously to note the report and approve the updated Whistleblowing Policy at Annex A.

## 201. Committee Agenda Plan

The Committee agenda plan was reviewed, and the following was agreed:

- the Corporate Risk Register should be considered twice a year in the spring and autumn.
- the Annual Risk Register report should be considered in July
- the biannual debt management update would be considered next in March 2025
- a report on adjustments to adult social care outstanding debt would be added to the January agenda **Action required**
- a report providing a breakdown of debt by age and service and financial modelling analysis would be added to the January agenda **Action required**
- sign-off of the annual accounts for 2022/23 and the EY report to be added to the agenda plan **Action required** [NB This will be covered in the financial update report]
- the new executive director assurance reports should begin with a report from the Executive Director of Adults, Health and Commissioning. **Action required**

The Committee's training programme would be reviewed following the local elections in May 2025.

[Chair]