

**AUDIT AND ACCOUNTS  
COMMITTEE**
**Minutes-Action Log**

 Cambridgeshire  
County Council

**Introduction:**

This log captures the actions arising from the Audit and Accounts Committee November 2019 and updates members on the progress on compliance in delivering the necessary actions (outstanding actions from previous meetings are also included). This is the updated action log as at 18<sup>th</sup> November 2019.

**MINUTES 31<sup>ST</sup> October**

ITEM NO.	MINUTE NUMBER / REPORT TITLE / AGENDA PAGE NUMBER	ACTION TO BE TAKEN BY	ACTION (INCLUDING WHERE RELEVANT PAGE NUMBER)	COMMENTS	COMPLETED
1.	STATEMENT OF ACCOUNTS				
a)	DSG Mechanism query	Head of Integrated Finance	Councillor Crawford sought additional information regarding the DSGs mechanism. It was agreed the Head of Integrated Finance would explain this outside of the meeting.	An explanation was provided in a discussion undertaken following the close of the meeting.	Completed

b)	<b>Page 83 – Other Supporting Notes-Fair Value Hierarchy for financial liabilities</b>	<b>Head of Integrated Finance</b>	<p>Clarification sought regarding the contents of this page. The Chairman was not clear why the Council should be paying additional interest - explanation required as PWLB loans were meant to be cheaper than market rates (e.g. querying why FV of PWLB loans is different to the book value).</p> <p>Officers agreed to explain this to the Chairman outside of the meeting.</p>	<b>An initial explanation was provided following the meeting but an additional explanation is included as appendix 1 to this Minute action Log. This was sent to the Chairman on 18<sup>th</sup> November.</b>	
c)	<b>Page 94. Capital Grants Receipts in advance</b>	<b>Head of Integrated Finance</b>	<p>Referencing that the Section 106 contributions which had increased by 25% on the previous year asking whether this money would have to be dispersed. A Member also asked where this money would be spent. The Head of Integrated Finance suggested that he wasn't sure that the Council had ever given any unspent Section106 monies back to a developer and would take the queries away and respond outside of the meeting.</p>		
d)	<b>Page 99. Comprehensive Income and Expenditure</b>	<b>Head of Integrated Finance/ Group Accountant</b>	<p>Queried why the interest payable on the Finance lease liability had risen to £1.8million. The Group Accountant and the Head of Integrated Finance stated they would take this away to confirm. As an initial response the Group Accountant suggested that this was partly due to the adjustment made from EY's expert review.</p>	<b>A response was provided to Councillor Shellens a day after the meeting and is included as Appendix 2.</b>	

## MINUTES 24<sup>TH</sup> SEPTEMBER

ITEM NO.	MINUTE NUMBER / REPORT TITLE / AGENDA PAGE NUMBER	ACTION TO BE TAKEN BY	ACTION (INCLUDING WHERE RELEVANT PAGE NUMBER)	COMMENTS	COMPLETED
2.	MINUTE 211 MINUTES OF THE AUDIT AND ACCOUNTS COMMITTEE DATED 29 <sup>TH</sup> JULY	Democratic Services	<p><b>Minute 200 Consultants Policy Review – Quarter 1</b></p> <p>The Chairman queried whether the number of agency/temporary staff employed would be included in the next report. The Democratic Service Officer stated that he believed that this information would be included in the report scheduled for the November Committee meeting but would check.</p> <p><b>Action: Rob Sanderson Officer</b></p>	<b>The report is included on the current agenda and includes details on agency workers.</b>	<b>Completed</b>
3.	MINUTE 212 ACTION LOG				
a)	a) Item 11 – Minute 183 – Community Transport Action Plan Update – B)	Democratic Services	<p>A Member sought clarification regarding a discrepancy between the information found in the action log and the information found in the Community Transport Action Log Update Report. The Democratic Service Officer confirmed that this would be taken back to the Local Passenger Transport Manager for clarification regarding who would receive an update report.</p>	<b>The report is scheduled for the March 2020 Economy and Environment Committee</b>	<b>Ongoing</b>

b)	e) <b>Item 12 – Minute 162 – Estates And Building Maintenance Inspections</b>		The Chairman sought an update on this action. He suggested that they should ask for an update report that outlined the steps being taken to meet the February 2020 deadline. It was suggested that they could check the forward agenda plan of the Commercial and Investment Committee (C and I Committee)	<b>A report is included on the 22<sup>nd</sup> November C and I agenda and an email with a link to the agenda and reports was sent by Democratic Services to the Committee on 15<sup>th</sup> November.</b>	<b>Completed</b>
c)	g) <b>Appendix 2 – item 7 – minute 207 – Integrated Resources and Performance Report.</b>	<b>Head of Business Intelligence</b>	The Chairman stated that he would like figures of the number of mental health service users who were not in paid employment and did not live independently.	<b>Provided in an e-mail dated 14<sup>th</sup> November.  Information included as Appendix 4.</b>	<b>Completed</b>
4.	<b>MINUTE 214 - STATEMENT OF ACCOUNTS PROGRESS UPDATE AND REQUEST FOR AN ADDITIONAL MEETING</b>				
a)	<b>Vexatious complaints on the Accounts</b>	<b>Head of Finance</b>	The Vice-Chairman asked Officers when they would consider a complainant to be vexatious as the Council was receiving these complaints every year and as a result incurred considerable additional costs. The Head of Integrated Finance stated that he would take this away to the Monitoring Officer for legal advice.		

	b) debrief between officers and EY to identify improvements that could be made to avoid the delays	Head of Finance	The Chairman asked that the outcomes of this debrief should be brought to the Committee, which was agreed.	As the Accounts were still not available for sign off at the October Special Committee meeting this report with details of improvements would be submitted to the January Committee.	
5.	MINUTE 216 INTERNAL AUDIT PROGRESS REPORT FOR SEPTEMBER 2019				
	a) Section 5 Other Audit Activity	Head of Internal Audit	To report back as part of the Internal Audit Progress Report the meeting which was to have been held between the Chief Executive of CCC and the Chief Internal Auditor to discuss the current pressures on the Internal Audit Plan and how to address these.	This is referenced in the September minutes as a post meeting note.	
	b) Whether CCC's subscription to the National Anti-Fraud Network (NAFN) and it was value for money.	Head of Internal Audit	The Chairman queried the outcomes of Cambridgeshire County Council's CCC's subscription to the NAFN and whether it was value for money. He also asked whether the Service was required to be a member. The Head of Internal Audit to reply in an email	A response was sent on 14 <sup>th</sup> October to the Chairman and is included as Appendix 3.	Completed

c)	<b>Community Transport – audit responsibilities if transferred to Combined Authority</b>	<b>Chairman / Chief Internal Auditor</b>	A Member queried who would perform the internal audit follow-up if the Community Transport responsibility no longer rested with CCC. It was suggested that the Chairman could communicate with the Chairman of the CPCA Audit and Governance (A&G) Committee. The Chief Internal Auditor confirmed that he would be able to pass any queries from the Chairman to the CPCA A&G Committee.	<b>Response awaited.</b>	
d)	<b>Page 75 - Annual Assurance on Risk Management – Directorate Risk Registers are not up to date</b>	<b>Head of Internal Audit</b>	The Chairman raised his concerns regarding this Audit. The Head of Internal Audit stated that a Risk Workshop had been arranged in October that should remove this from the outstanding recommendations list. The Head of Internal Audit commented that he would take this away for review.	<b>This action has now been closed as completed, with the updated risk register is being reported to the November meeting of GPC.</b>	<b>Completed</b>
e)	<b>Page 79 – Use of Consultants – Succession Planning</b>	<b>Audit and Risk Manager</b>	The Chairman asked Officers whether an update on the outcome of this review would be brought to the Committee. Officers confirmed that further updates would be included in Internal Audit Progress Reports to Committee once a revised target date was agreed.	<b>There has now been a review undertaken looking at all interims in post at Head of Service level or above. This identified only two current interims in post. In the first instance, plans are already underway to recruit to the permanent post; in the second instance, the arrangement is relatively recent (since the previous postholder left in August</b>	

				<p>2019) and is currently planned to continue to the end of the financial year, to enable implementation of the Family Safeguarding model. 20% of the cost of the interim is able to be recharged to the Family Safeguarding grant as a cost of implementation.</p> <p><i>This action has now been closed as completed, so no further follow-ups will be brought to Committee.</i></p>	Completed
6.	MINUTE 217. COMMUNITY TRANSPORT ACTION PLAN UPDATE				
a)	Number 86 Publishing Freedom of Information Act response via websites – “CCC should consider publishing Freedom of Information Act response via websites, therefore making these available to the public”.	Audit and Risk Manager	<p>The Chairman asked for a progress update as the text indicated that both Councils were due to have reviewed it in July. The Audit and Risk Manager suggested that the December 2019 target was still correct but would check. She agreed to e-mail confirmation of the target date still being December</p>	<p>The Data Protection Officer and his team have provided a response set out in Appendix 5 and reasons why the December target date will not now be achieved. This response was e-mailed to the Committee on 18<sup>th</sup> November.</p>	Completed

b)	Reclamation of Public Funding	Chief Internal Auditor / Chief Finance Officer	Request for a provisional target date.	<p>Correspondence sent to the Chairman indicated that as the negotiations were still ongoing, the report had been moved to January at the earliest.</p> <p>On 19<sup>th</sup> November Democratic Services was updated that this would now be March for the reasons stated above.</p>	Ongoing
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**MINUTES 11<sup>TH</sup> JUNE**

7.	<b>MINUTE 188. DEBT RECOVERY – LEVEL OF OUTSTANDING DEBT UPDATE REPORT (pages 3-10)</b>				
	a) Targets in future Reports	R Bates	The need to see targets for the collection agents and the metrics of success on collecting certain types of debt.	To be included in the next update report due in January	Ongoing
	b) Debt of a seasonal Nature / safe debts	R Bates	Request that future reports identify debts which were of a seasonal nature and those regarded as safe debtors, in order to help identify if they were distorting the true level of outstanding debt.	To be included in the next update report due in January.	Ongoing
	c) expansion of reasons for non-payment	R Bates	Request for the January report to include an expansion of reasons for non-payment and whether these had increased in certain categories.	To be included in the next update report due in January	Ongoing



## APPENDIX 1

### QUERY RAISED AT THE OCTOBER MEETING ON PAGE 83 OF THE ACCOUNTS – OTHER SUPPORTING NOTES- FAIR VALUE HIERARCHY FOR FINANCIAL LIABILITIES

Query from the Chairman Not clear why the Council should be paying additional interest - explanation required as PWLB loans were meant to be cheaper than market rates (querying why FV of PWLB loans is different to the book value).

#### Final Response

The Code requires disclosure of the 'fair value' of PWLB borrowing as well as the actual carrying value. The Code defines the fair value as the amount that the Council would have to pay to take out that amount of borrowing from the wider market at 31st March 2019 borrowing rates. As PWLB borrowing is cheaper than market borrowing, the fair value shown in the table (-£554m) is greater than the carrying value (-£458m) as the Council would have to pay additional interest if that borrowing were from the market rather than the PWLB. In reality, the Council has access to and makes use of borrowing from the PWLB. Therefore a more meaningful comparison is that between the carrying value (-£458m) and the amount the Council would have to pay to take out that amount of borrowing from PWLB at 31st March 2019 (-£347m), and the Council discloses this voluntarily in the wording below the fair value table. This comparison shows that the borrowing from the PWLB is costing more in interest (-£111m) than if it had been fully replaced by new PWLB borrowing on 31st March 2019, as the historic borrowing is fixed at the interest rate when the borrowing was undertaken and PWLB loan rates at 31st March 2019 are considerably lower than in previous years. However, if the Council were to reschedule the debt (use new borrowing to pay off the old loans) penalties would be incurred for the early settlement of the old loans. Unfortunately the penalties for early settlement are often greater than the saving available from rescheduling, although the potential for rescheduling is kept under review by Officers in case a saving can be made.

## Appendix 2

### QUERY ON SOME OF THE YEAR-ON-YEAR MOVEMENT IN SOME OF THE FIGURES DISCLOSED FOR THE WASTE PFI SCHEME

At the AAC meeting yesterday afternoon Cllr Shellens queried the year-on-year movement in some of the figures disclosed for the Waste PFI scheme. Jon Lee has asked me to respond this morning

The two areas queried were the year-on-year decrease in depreciation and the year-on-year increase in the interest payable on the finance lease liability.

- Depreciation: During the preparation of the 2018/19 accounting adjustment journal for the Waste PFI scheme I picked up that an audit adjustment made in 2014/15 had resulted in depreciation being charged on revenue expenditure in error. As the depreciation charged since 2014/15 was not materially incorrect, the Code requires that an adjustment be made only in the year of discovery (and going forwards), with the prior year figures remaining as they were. It is worth noting that the replacement of plant and equipment assets during the PFI contract period is a key area of the review to be undertaken prior to 2019/20 year-end (as mentioned during the meeting) and will be likely to increase depreciation charges going forward.
- Interest payable on the finance lease liability: the accounting for PFI schemes required by the Code is quite complex and technical, so I will begin the explanation with a few key points to be aware of:
  1. The amount paid to the contractor each year is based upon the operating costs incurred, with an accounting model deriving the split of that payment between the various accounting elements required by the Code (being the fair value of services provided, repayment of capital, contingent rents, lifecycle replacement costs and depreciation, as well as interest payable on the finance lease liability);
  2. The interest payable is a calculated, theoretical amount relating to the difference between the real cash value of scheme costs at the beginning of the scheme and throughout the 28-year period of the contract (i.e. taking account of inflation across the duration of the scheme and the resultant fall in the value of money over time);
  3. Correcting the overstatement of the finance lease liability by £1.261m for the Waste PFI scheme (as identified by the EY PFI expert and shown in the ISA 260 report) would have resulted in the interest payable in 2018/19 falling.

As well as the overstatement of the finance lease liability, the EY PFI expert review identified an error in the accounting model calculation of the interest payable on the finance lease liability. As with the depreciation error above, the impact of this was not material and was therefore adjusted for in the year of discovery and going forwards only (in line with the Code), resulting in a presentational increase in the interest payable in 2018/19.

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## USE OF THE NATIONAL ANTI-FRAUD NETWORK (NAFN) AND VALUE FOR MONEY

Hi Councillor Shellens,

In respect of the query at Audit & Accounts regarding the use of the National Anti-Fraud Network (NAFN) I have received the following response from Trading Standards who are the CCC service that use this network.

Many thanks,

Mairead Claydon

### **Audit & Risk Manager**

LGSS Internal Audit & Risk Management  
(01223) 715542

**From:** Gell Peter [<mailto:peter.gell@peterborough.gov.uk>]

**Sent:** 11 October 2019 09:36

**To:** Claydon Mairead <[Mairead.Claydon@cambridgeshire.gov.uk](mailto:Mairead.Claydon@cambridgeshire.gov.uk)>

**Subject:** Re: Request for information from Cambridgeshire Audit & Accounts Committee

Hi Mairead,

Following changes by Government some years ago, NAFN is the only means that Councils have to process applications under the Regulation of Investigatory Powers Act (RIPA), so in that respect membership is a requirement, otherwise the council would limit itself with respect to what actions it could undertake during criminal investigations. An outcome of an application would be that the necessary legal documentation is produced enabling the council to seek authorisation from a magistrate for access to communications data records for a specified mobile number.

With regards to value for money, membership is worth it because it enables the use of RIPA powers when appropriate.

Regards

Peter

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## **APPENDIX 4**

### **INTEGRATED RESOURCES AND PERFORMANCE REPORT. REQUEST FOR INFORMATION ON THE NUMBER OF MENTAL HEALTH SERVICE USERS WHO WERE NOT IN PAID EMPLOYMENT AND DID NOT LIVE INDEPENDENTLY.**

For the indicator 'Proportion of adults in contact with secondary mental health services in paid employment - CPA, aged 18-69', the year end performance figure was 13.4% (above target). This was based on 806 service users in total, 108 of which were in paid employment and 698 were not.

For the indicator 'Proportion of adults in contact with secondary mental health services living independently, with or without support - CPA, aged 18-69', the year-end performance figure was 81.4% (above target). Again based on 806 service users in total, 656 of which were living independently, and 150 were not.

## **APPENDIX 5**

### **UPDATE ON PROGRESS ON THE NEW JOINT CAMBRIDGESHIRE COUNTY COUNCIL (CCC) AND PETERBOROUGH CITY COUNCIL (PCC) FREEDOM OF INFORMATION (FOI) REQUEST MANAGEMENT SYSTEM**

We have evaluated options to replace our FOI request management systems (Dynamics system for CCC and Salesforce system for PCC). The aim is to help streamline our FOI management process by using a common system across the two councils. The publication of requests and responses is

one of the key requirements on our list for a new system. There are some other factors as well and a key consideration is how any new system will work for colleagues who supply the information we need to deliver complete and on time responses to requests.

We have worked through potential external options and we need to look at a possible in-house development to arrive at the best solution for both councils. The best solution is for in-house development will be on the Microsoft Office 365 platform, however to implement this system we have to wait for the implementation of Office 365 for CCC which is happening in 2020 (dates still to be determined) whilst PCC is already using 365. Therefore implementation will not be achieved by December 2019, once we have timescales for Office 365 are known then we will be able to confirm dates for implementation.

Many thanks  
Ben Stevenson  
Data Protection Officer  
Peterborough City Council